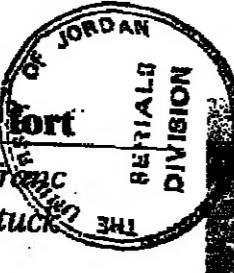


Hold the fort  
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# FINANCIAL TIMES

Europe's Business Newspaper

## Thirteen charged in Abu Dhabi over BCCI affair

Thirteen former officers of the Bank of Credit and Commerce International have been charged in Abu Dhabi two years after the bank was closed following an alleged multi-billion-pound fraud. The charges mean that Mr Sualim Naqvi, former chief executive officer of the bank, could face a 36-year jail sentence if convicted on all counts. Mr Naqvi was among a number of senior officers in Abu Dhabi engaged on restructuring the bank at the time of its worldwide closure. Page 14

**UK expansion exceeds forecast:** Britain's manufacturing output rose 1.8 per cent in May, the sharpest monthly increase for four years, and almost 10 times stronger than market expectations. Page 14

**Commerzbank:** one of Germany's largest banks, has won a long-running legal dispute with British tax authorities in a case which could have important implications for businesses elsewhere in the EC. Page 14

**IRI:** Italy's biggest state holding company, revealed details of plans to rationalise the telecommunications sector, starting with the merger of Sip and Italcalco by January 1 1994. Page 15

**Taiwan go-ahead for EAE venture loans:** Taiwan's economics ministry and local banks agreed in principle to offer Taiwan Aerospace Corporation \$460m in low-interest loans for a \$250m (\$373m) joint venture with British Aerospace. Page 15

**Iraq prepares for more strikes:** Iraq began to prepare the public for possible US military attacks, following its refusal to allow United Nations weapons inspectors to seal off a two-mile missile sites west of Baghdad. Page 5

**Clarke visit aims to improve German links:** UK chancellor Kenneth Clarke (left) is to visit Germany for two days from Sunday to strengthen economic relations and smooth tensions between the Treasury and Bundesbank. He will meet Hans Tietmeyer, Bundesbank president-designate, and Theo Waigel, German finance minister, and will give a speech that is expected to develop the UK's ideas for improving Europe's international competitiveness. Page 6

**Wholesale prices come down:** US wholesale prices fell 0.3 per cent in June, the biggest monthly drop in two years, indicating that inflationary pressures are moderating. Page 3

**Subpoena for Bush over BML:** Former president George Bush has received a subpoena to testify and provide documents in the long-running case involving more than \$5bn of Iraqi loans, made by the Atlantic branch of Italy's Banca Nazionale del Lavoro. Page 3

**Denial on BA 'dirty tricks':** British Airways chairman Sir Colin Marshall denied any prior knowledge of the "dirty tricks" his airline played on Virgin Atlantic Airways that led to an apology and a \$610,000 payment to Virgin in January. Page 15; Lex, Page 14

**Medco in talks with drug groups:** A realignment of drug distribution in the US, could be under way following news of talks involving Medco Containment Services, one of the country's largest distributors. Page 15

**Delay on water clean-up advised:** The UK government was advised to delay the timetable for cleaning up the country's water or risk seeing large increases in household water bills. Page 6; Editorial Comment, Page 13; Lex, Page 14

**Cambodia guerrillas in peace moves:** Khmer Rouge guerrillas are willing to join Cambodia's new national army to try to bring peace to the country. Page 5

**US steel 'cheaper than imports':** Steel imported into the US is often more expensive than that produced by US mills which are accusing foreign competitors of dumping. Page 4

**British interest in gas pipelines:** British Gas, Rolls-Royce and British Steel are among five British companies which may participate in the building of a pipeline to carry Argentine gas to Chile's capital, Santiago. Page 4

**India flood deaths reach 175:** Floodwaters began receding in northern India as the death toll from four days of heavy monsoon rains rose to at least 175.

**EU stock market indices:** The FTSE 100: 2037.1 (+6.2); Yield: 4.93; FTSE Eurostock 100: 1228.91 (+3.07); FTSE All-Share: 1402.44 (+0.2%); Nikkei: 20,180.42 (+200.42); New York: 1,316.58 (-7.82); Dow Jones Ind Ave: 3,518.58 (-7.82); S&P Composite: 445.25 (-0.43).

**EU interest rates:** Federal Funds: 3%; 3-60 Day Bills: Yd: 3.0387%; Long Bond: 10.6%; Yield: 8.67%;

**EU London money:** 3-60 Hibank: 5% (same); LIBOR: 107.51% (Sep 108.5%); BofW NORTH SEA OIL (Argus): Bost 15-day (Aug): \$17.025 (16.87); Bost Gold: New York Comex (Aug): \$394.5 (304.9); London: \$333.75 (394.05); Tokyo close: Y 168.85

**EU stock market indices:** M STERLING: New York: 1,493; London: 1,4835; S: 1,4937; S: 1,4935; (1.478); DM: 2.97 (2.355); FF: 8.775 (8.775); SF: 2.27 (2.26); Y: 161.75 (162); S Index: 81.2 (81.8)

**EU London money:** M DOLLAR: New York: 1.725; DM: 5.87375; SF: 1.52815; Y: 108.15; London: 1.72 (1.7285); FF: 5.875 (5.805); SF: 1.52 (1.5285); Y: 108.3 (108.8); S Index: 68.1 (68.5)

**EU stock market indices:** M DOLLAR: New York: 1,493; London: 1,4835; S: 1,4937; S: 1,4935; (1.478); DM: 2.97 (2.355); FF: 8.775 (8.775); SF: 2.27 (2.26); Y: 161.75 (162); S Index: 81.2 (81.8)

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By Michael Littlejohns  
in New York and  
Robert Graham in Rome

THE CRISIS over the United Nations peacekeeping role in Somalia deepened yesterday as it emerged that UN troops in the country have been refusing to carry out the orders of local commanders, apparently on instructions from their governments.

According to UN officials in

New York, Italian, Kuwaiti and Saudi contingents have refused to carry out orders given by the Turkish commander, General Civek Bir.

Some troop commanders in riotous Mogadishu were said to have been unwilling to commit contingents to UN sorties because of the risk of casualties.

The UN ambassadors of the half-dozen or so countries with more than 1,000 soldiers in Somalia

were recently summoned to discuss the crisis by Mr Kofi Annan, the undersecretary general in charge of UN peacekeeping operations worldwide.

They were told it was unacceptable for national capitals to issue orders to contingents serving under the UN flag and that General Bir's authority must be respected.

This latest blow to the UN's authority in Somalia emerged as

Italy, which has been expressing disquiet about the conduct of the increasingly bloody operation, asked the UN for its troops in Mogadishu, the capital, to be moved out to safer areas unless agreement could be reached.

Mr Beniamino Andreatta, foreign minister, said he had told Mr Boutros Ghali, UN secretary-general, the contingent should otherwise be moved north of Mogadishu.

Mr David Andrews, the Irish defence minister, yesterday called for an international conference of the 20 or more countries which are contributing troops to the Somalia operation.

Mr Andrews, speaking after he addressed 80 Irish troops about to be dispatched to Somalia, said:

"It is important not to lose sight of the fundamental reason for the UN presence in Somalia, which was to help create the political

and economic conditions whereby ultimately the Somali people could help themselves."

His call came a day after US helicopter gunships blasted the command centre of Gen Mohamed Farah Aideed, the fugitive warlord, leaving more than a dozen dead, and a Somali mob

Continued on Page 14  
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## Bonn acts to curb deficit with \$12bn spending cut

By Quentin Peel in Bonn

THE GERMAN cabinet yesterday approved plans for a DM21bn (\$12bn) package of cuts in social spending and unemployment benefits, intended to curb the government's soaring deficit and encourage the Bundesbank to continue cutting interest rates.

Budget spending for 1994 was

forecast at DM474.4bn, up 4.4 per

cent on the current year, with a

forecast borrowing requirement of

DM67.5bn - almost identical to

the current deficit.

At the same time the cabinet

approved a medium-term financial

plan to impose a virtual

freeze on nominal spending in

1995, and tight restraint until

1997, intended to reduce the

deficit to DM45bn in 1998 and

DM38bn in 1999.

"We have laid the foundations

for improving the ability of the

Bundesbank to cut [interest]

rates," Mr Theo Waigel said after the cabinet meeting, which was

attended by both Mr Helmut

Schlesinger, the Bundesbank presi-

dent, and Mr Ottmar Issing, his chief economist.

The finance minister said that

both Bundesbank officials had

agreed that "the decline in the

economy appears to be over, and

the signs are increasing for a sta-

bilisation".

The 1994 budget is based on a

forecast growth rate of 1 per cent

in western Germany next year,

assuming a recovery in the first

half of the year, after a 1.5 per

cent decline in 1993. For the

whole of Germany, growth is

forecast at minus 1 per cent this

year and plus 1.5 per cent in 1994.

In addition to the savings pack-

try, including the payment of

unemployment benefit and finan-

cing job creation and retraining

schemes in eastern Germany,

remains by far the largest single

element: almost DM12bn, or a

quarter of total spending next

year. Mr Waigel forecast an

unemployment total of 3.75m in

1994, suggesting a continuing rise

in unemployment even if the

recession bottoms out.

He said the aim of the budget,

and the medium-term financial

plan, was to bring central govern-

ment spending under control,

while still taking action to pro-

mote economic recovery.

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## NEWS: EUROPE

# Embattled franc fort prepared to fight off all attackers

Without a common monetary system, there is no Europe. That is French policy. David Buchan and John Riddington on the battle for the strong franc

**I**n France ready, in the midst of recession, to raise interest rates to defend the franc, if joint declarations and interventions by French and German politicians and central bankers fail to stem the slide against the D-Mark?

This is the question underlying the plight of the franc. On Monday it dropped to below FF 38.41 to the D-Mark, or within two centimes of its floor in the European exchange rate mechanism, although it steadied yesterday.

In its first three months, the Balladur government has had all its own way. Since early April, French official rates have been cut nine times, while the Bundesbank has only lowered German rates twice.

"The Bank of France has cut its intervention rate from 9.1 to 6.75 per cent since April while keeping the franc stable," said Mr Piers Butler of Baring Securities in Paris yesterday. "Now we are seeing the turnaround."

In 1991 and 1992 France repeatedly showed itself ready to raise rates when necessary. But times are different now.

The country is in recession and unemployment rising. Indeed the main catalyst of the latest wave of franc selling – apart from a general rebound in market sentiment about the D-Mark – appeared to be last Thursday's forecast by Insee, France's national statistics institute. It was gloomier than the government in estimating that France's gross domestic product would contract by 0.7 per cent this year while its jobless rate would hit 12.5 per cent by December.

The sight of a government increasingly constrained from raising rates by domestic political and economic factors precisely at the moment when it might need to do so for external monetary reasons, is always an enticing prospect for speculators, as Britain found to its cost last autumn.

In retrospect, it is clear that Mr Edmond Alphandéry, the economy minister, was guilty of a bit of hubris on June 24 when he proudly said: "The franc is performing well, perhaps better than the D-Mark." After the French minister went

on to make it appear that he was summoning his German opposite number, Mr Theo Waigel, and Mr Helmut Schlesinger, the Bundesbank president, to Paris for a discussion of "concerted" interest rate cuts, Mr Waigel pleaded pressing business and stayed home.

In the event, no lasting harm was done. The Franco-German economic council meeting has been rescheduled for early August, and co-operation between the two central banks seems as close as ever.

Addressing a joint press conference in Basle on Monday with his French counterpart, Mr Jacques de Larosière, Mr Schlesinger called the franc's problems "temporary," and said that the Bundesbank's co-operation with the Bank of France "is as close as it has ever been".

Much of the franc's "temporary" problem is due to the revival of the D-Mark. Investors, having taken short positions on the German currency in June following a series of pessimistic economic forecasts and warnings from Mr George

Soros, the influential currency trader, that the D-Mark was overvalued, have hurried back to the German bond market. "We have seen a huge shift from French to German bonds," said Mr Alain Gilbert, economist at S.G. Warburg in Paris. "Investors felt they were underweight in the D-Mark. They are responding to attractive German bond prices and improved economic news from Germany."

But many of the fundamentals of the French economy remain very sound, particularly in relation to Germany. France's retail inflation dropped in June to an annual rate of 1.9 per cent. Its superior

wage discipline has given it a 1.5 per cent competitive edge in terms of hourly wage costs over Germany in the past five years. It recorded a FF 16.2bn (\$1.85bn) trade surplus in the first quarter of this year, and is set to retain its current account surplus in 1993.

But the flip side of many of these achievements is recession, which has depressed industrial prices, wages and imports. Prime Minister Edouard Balladur is beginning to press on the fiscal accelerator, and promises generalised tax cuts in the autumn. But these would only take effect next year. Despite increased spending already on public

works and housing, the French construction industry is still forecasting a 4 per cent decline in activity this year.

In these circumstances, the last thing the government wants to do is raise interest rates, whose recent reduction is also considered essential to giving the stock market a lift before the sell-off of state companies starts in the autumn.

Mr Balladur has had a considerable stroke of luck in that the trouble for the franc only began just before subscriptions to his very successful bond issue closed last Friday.

Some 1.4m French bought FF 10bn of the four-year Balladur bonds carrying a 6 per



cent coupon, presumably calculating with the recent interest rate decline they could not get a much better return elsewhere. Having got their money, Mr Balladur could now raise interest rates, if he had to change prime minister," he said.

Some backbenchers in Mr Balladur's RPR Gaullist party and the odd maverick within the UDF, the coalition partner, are restive with Mr Balladur's strong money stance. But no one of any import is pressing him to change. Least of all, the president. On nominating Mr Balladur himself said this week that he would resign rather than devalue. "If anyone wanted to carry out another policy of devaluation, protectionism, increasing the budget deficit, "they would first have

minister, called on both workers and employers to use all the available flexibility to decide their own working law.

As far as foreign competition is concerned, employers can appeal for the right to introduce Sunday and holiday shifts if they can prove that jobs are threatened by cheaper manufacturers in other countries, where labour hours and other social conditions reduce their costs.

The law, which has to be passed by the German parliament, will also remove existing discrimination on women's working hours, such as night-shift working, although it will continue to outlaw female labour in underground mining.

Mr Norbert Blüm, the labour

minister, called on both workers and employers to use all the available flexibility to decide their own working law.

"We need more creativity and more imagination in fixing working time," said Mr Blüm. "That could produce a significant improvement in productivity."

He insisted, however, that the law would not mean a dramatic change in the enforcement of Sundays and holidays as rest days.

"Sunday should not be a day like all the other days," he said. "People would lose all sense of direction if they worked in a continuous grey time-porridge."

## Schlesinger says tensions in the ERM are 'short term'

By Christopher Parkes in Frankfurt

THE tension within the European exchange rate mechanism is of a "very short-term nature," according to Mr Helmut Schlesinger, president of the Bundesbank.

Attempting to play down pressure on the French franc, he said in Basle that the ERM was more stable than at the time of disruptions last September and December.

Mr Schlesinger claimed the Bundesbank's intervention in support of the French currency showed co-operation between the two countries' central banks was "as close as ever".

However, co-operation is

unlikely to extend as far as assistance through further reductions in Germany's leading interest rates at tomorrow's meeting of the Bundesbank council.

On July 1, the Bundesbank cut the internationally important discount rate by half a point to 6.75 per cent and the Lombard rate by a quarter-point to 5.25 per cent.

A further move, following so soon after the Group of Seven meeting in Tokyo and this week's squeeze on the franc, could damage the bank's prized credibility by giving the impression that its policy can be swayed by political pressure and "short-term" exchange rate fluctuations.

Germany's latest inflation and money supply figures, the key to the bank's rates policy, have been revised upwards since the last rate cuts, suggesting little room for manoeuvre at present.

Inflation in June was 4.2 per cent a year, compared with 4.4 per cent in January, while the growth in the M3 money supply measure was 6.9 per cent a year compared with the bank's target of 4.5 to 5.5 per cent.

While M3 expansion is expected to have fallen closer to the upper limit in June, the Bundesbank's latest bout of franc buying could push it up again, according to Mr Gérard Grebe, chief economist at the Bank Julius Bär in Frankfurt.

The condition of the franc and the state of the German economy demanded urgent supportive action support, he said yesterday. Even so, he expected no immediate cuts, favouring July 29 – the bank council's last meeting before the summer break – as the most likely and beneficial time.

● German exports rose sharply in March and imports also rose. According to the federal statistics office, exports in March were almost 7 per cent higher than in February while imports rose 2.8 per cent during the month, bringing the cumulative trade surplus for the first three months of the year to DM 9.5bn (\$6.5bn).

By Quentin Peel

A DRAFT law on flexible working hours in German industry was approved yesterday by the German cabinet.

The draft, which will replace 28 existing laws and regulations on working hours, was hailed by Mr Günter Rexrodt, the economy minister, as a leap towards deregulation and improving the competitiveness of German industry.

Among a series of moves to introduce flexibility, the draft law would allow companies to cite cheap foreign competition as a reason for requiring extra production shifts on Sundays and holidays.

The reforms are intended to

give individual enterprises and their workers more responsibility for negotiating their own working hours, within limits prescribed by the law.

While the normal working day for wage-earners remains fixed at eight hours, they may work up to 10 hours a day taking time off to compensate for the overtime over a period of six months.

Hitherto they have been required to take the time off within a two-week period.

Workers and employers at individual enterprises will be allowed to negotiate a compensation period of longer than six months, if they wish.

There will be a significant extension of the exemptions to

allow for Sunday and holiday working, according to the draft law.

As far as foreign competition is concerned, employers can appeal for the right to introduce Sunday and holiday shifts if they can prove that jobs are threatened by cheaper manufacturers in other countries, where labour hours and other social conditions reduce their costs.

The law, which has to be passed by the German parliament, will also remove existing discrimination on women's working hours, such as night-shift working, although it will continue to outlaw female labour in underground mining.

Mr Norbert Blüm, the labour

## Community runs out of cash for humanitarian aid to Bosnia

By David Gardner in Brussels

THE European Community, which will face pressure on Friday to commit substantial new aid money to Bosnia, has all but run out of resources from its humanitarian aid budget.

"We've emptied all the drawers; we're dry; we have no money left," said Mr Manuel Marin, commissioner for development.

Opment and humanitarian aid. The Commission will this week approve an extra Ecu 7.3m (\$7.45m), on top of the \$972m the Community and its 12 member states have provided for the former Yugoslavia between September 1991 and the end of June.

But the United Nations High Commissioner for Refugees, which is calling Friday's meeting of aid donors, is looking for

\$1bn-\$1.5bn more for the Yugoslav crisis, on top of the \$1.3bn already spent.

The UNHCR is banking on the commitment made by last week's Group of Seven meeting in Tokyo, which agreed in its political declaration that "the flow of humanitarian aid to Bosnia must be increased."

As the donor of two thirds of funding so far, the EC will be expected to provide the larger

portion of new money, for what the US and Japan regard as primarily a European problem, according to Mr Marin.

"The Community budget is in no condition to meet these demands," he added, unless the Twelve agree to raise the budget ceiling, a politically difficult decision at a time when all member states are under pressure to cut rising deficits.

Since the Yugoslav crisis

begun two years ago, the EC humanitarian aid budget has increased tenfold, to around Ecu 200m (\$224m) a year. But this money is required for emergencies in some 30 countries, among them Somalia, Ethiopia, Angola, northern Iraq, southern Sudan and Cambodia.

A reserve emergency fund of some Ecu 300m set up at the end of last year is now virtu-

ally exhausted, and limited funds transferred from other areas such as the Phare programme for eastern Europe, or unspent commitments from the Lomé Convention programme for Europe's former colonies, have been used.

Mr Marin is essentially saying the Twelve will have to put their money where, at least, the four EC members of the G7 put their mouths last week.

By David Gardner in Brussels

## Italy to contain budget deficit with spending cuts

By Robert Graham in Rome

THE Ciampi government intends to hold down the 1994 budget deficit to L150,000bn (284.4bn) through swinging spending cuts and only limited revenue from taxes.

The combined effect of these measures will be to save L32,000bn on previous projections. Officials involved in the preparation of the budget estimate that without this, the rise in the public sector deficit would push the figure beyond L180,000bn.

As much as two-thirds of the L32,000bn will come from spending cuts, affecting both current expenditure and investment. The 1993 budget was obliged to find L93,000bn to hold the deficit to L145,000bn – L150,000bn, but the emphasis this was on a bigger tax take, while spending tended to be frozen rather than cut.

In contrast, officials involved in the preparation of the 1994 budget say fiscal pressure will be lowered 1.4 per cent next year. With the public unhappy at having to pay out unprecedented quantities of money this year in various taxes, a further tightening of the fiscal net risks being unproductive. As a result, the emphasis will be on improving the efficiency of tax collection and simplifying the way in which taxes are paid.

On top of an across-the-board cut of 3 per cent in each ministry's spending, the government is looking at the health, welfare and education budgets for additional savings. Considerable savings can be achieved through a freeze on job creation especially in teaching where the education ministry has continued to recruit extra teachers despite a stagnant population.

Mr Salvatore Ligresti, one of Italy's richest businessmen, was freed yesterday after questioning on corruption charges. Mr Ligresti now awaits trial over L13bn (25.58m) of bribes his insurance company SAI SpA is alleged to have paid to secure a contract from state energy company Enel.

In health, reforms introduced in the 1993 budget are only just being felt and the ministry's L100,000bn budget has overrun by L14,000bn. Yesterday, one of Italy's research institutes claimed there were at least L11,000bn worth of unproductive expenditure in the health budget.

Mr Carlo Azeglio Ciampi, prime minister and former Bank of Italy governor, will explain the budget to parliament on Thursday.

It is the first time in the post-war era that a budget for the coming year has been prepared so quickly. Normally,

the budget is not presented until close to the obligatory cut-off date of September 30. But the current plan was outlined by Mr Giuliano Amato, the previous prime minister, and pursued by Mr Ciampi to underline Italy's commitment both to tackle the country's budget deficit, which has reached over 10.5 per cent of GDP, and begin to cut the level of debt, equivalent to nearly 110 per cent of GDP.

Mirroring an excessive wage growth that has become one of the economy's chief weaknesses, underlying inflation, excluding food and energy prices, rose 0.4 in June to post a year on year figure of 5.9 per cent.

## Russia tells Asian states to decide on allegiance

By John Lloyd in Moscow

RUSSIA yesterday told the central Asian states of the former Soviet Union to "choose between north and south" for their economic and political orientation. The warning was the clearest yet that Russia was not prepared to tolerate the indiscipline and indecisiveness within the Commonwealth of Independent States that marked its first 18 months of existence.

Mr Alexander Shokhin, the deputy prime minister, said yesterday that the recent agreement by Russia, Ukraine and Belarus to form a close economic union was partly a reaction to the participation by Kazakhstan, Uzbekistan, Kyrgyzstan and other states in the conference, in which he cited Russia's reluctance to advance credits to Kazakhstan. Mr Shokhin said that Russia had put aside Rbs 150bn in inter-state credits to the CIS members in 1993, including Rbs 150bn for Kazakhstan, but no agreement had yet been reached on the use of these funds.

The idea for the agreement between the three Slav states, Mr Shokhin said, had been worked out largely between Russia and Belarus. However, Ukraine decided to join because of its concern over the apparent defection of Kazakhstan. However, Mr Tulegen Zhukayev, the state adviser to Kazakhstan, yesterday told the Interfax news agency that the decision to participate in the CIS was not excluded.

He said Mr Nursultan Nazarbayev, the Kazakh president, had given a "very weak reason" for participation in the CIS. "The markets of these countries are quite comparable and could supplement each other," he said.

Mr Zhukayev said that the idea of forming a closer economic union within the CIS had been long advocated by Mr Nazarbayev.

He was joined by Otto von Habsburg, the German Christian Socialist and descendant of the imperial family. Mr Khasbulatov was pursuing Communist goals in league with extremist forces of national bolshevism, he said. The European parliament invited members of the Russian parliament to come to Strasbourg as part of its expanding contacts with legislatures in the former Communist countries of eastern and central Europe.

Mrs Magdalene Hoff, a German SPD member of the parliament, defended the invitation. "We are not under any illusions here. But I believe in dialogue, not monologue."

## Provinces to benefit at expense of Paris

By David Buchan in Paris

THE French government plans to give more money to poorer regions of the country and relatively less to Paris over the next five years in an attempt to restrain the capital's congestion and economic dominance.

Approximately 10.6m people live in greater Paris, nearly a fifth of the population. As part of a five-year plan which will legislate in the autumn, the government said this week it aimed to limit the greater Paris population to 11.8m by the year 2015, and to redeploy up to 30,000 civil servants to the provinces by the year 2000.

● A French appeal court yesterday confirmed a four-year prison sentence on the former head of the national blood bank

Loans reach record \$23.7bn

## World Bank lending soars

By George Graham  
in Washington

THE WORLD BANK increased its lending by \$2bn to a record \$23.7bn over the past 12 months, with a sharp rise in new loans to recent members in eastern Europe and the former Soviet Union.

But political turmoil and a shift in the bank's lending strategy, away from adjustment lending and towards individual projects, led to a fall in lending to Africa.

New commitments fell to \$2.8bn in the 1993 accounting year which ended on June 30, compared with \$4bn in the previous 12 months.

Commitments to Europe and central Asia rose to \$3.8bn, compared with \$2.1bn in the previous year, largely because of \$1.83bn in loans to eight countries of the former Soviet Union which have just joined the bank.

Overall, new commitments from the International Bank for Reconstruction and Development, the core of the World Bank group, climbed to \$16.9bn for 122 projects, compared with

\$15.2bn for 112 projects in fiscal 1992.

The International Development Association, the bank's unit which provides low-interest loans to the very poorest countries, committed \$6.8bn to 123 projects in fiscal 1993, compared with \$6.5bn for 110 projects in the previous year.

The bank said preliminary figures for disbursements, or money actually handed over to borrowers, showed an increase to \$18bn compared with \$16.5bn in fiscal 1992.

While IDA commitments have been climbing steadily since 1988, IBRD lending has been more stagnant, fluctuating between \$15bn and \$16.4bn for several years.

Earlier this week, the bank unveiled a set of changes in management practices designed to address criticism of over-emphasis on new lending and to improve the quality of its projects.

Reviews of its portfolios in countries such as India and Brazil has led to \$2.3bn of projects being cancelled outright, although most of the savings are redirected towards other needs in the same countries.

## Wholesale prices come down in US

By Michael Prowse  
in Washington

US WHOLESALE prices fell last month, indicating that inflationary pressures are moderating, the Labour Department reported yesterday.

The producer price index for finished goods fell 0.3 per cent in June, the biggest monthly drop in two years. The annual rate of wholesale price inflation fell to 1.4 per cent against 2 per cent in May.

The decline in inflationary pressures was led by a 0.8 per cent drop in food prices in June compared with May, and a 0.8 per cent fall in energy prices. However, excluding the volatile food and energy com-

ponents, the core producer price index fell 0.1 per cent. In May, core producer prices rose a modest 0.2 per cent.

If consumer price figures due today are equally encouraging, the Federal Reserve is likely to become more relaxed about the inflation outlook. In May, after a series of unexpectedly large price increases, it shifted to a bias towards raising short-term interest rates. An early rise in rates is not now expected.

Analysts said severe flooding in the Midwest was already pushing up some agricultural prices, but the sluggishness of the economic recovery was expected to prevent them feeding through into a broader increase in inflation.

## Rescue plan for Everglades agreed

By Lisa Bransten  
in Washington

FLORIDA sugar-growers and state and federal officials yesterday agreed in principle on a plan to clean up the endangered Everglades, ending a five-year legal wrangle.

The plan, announced by Mr Bruce Babbitt, interior secretary, is the latest in a series of compromise deals worked out by the Clinton administration to settle disputes between business and environmental interests.

Under the agreement the sugar-growers have promised to spend up to \$322m over 20 years to reduce pollution from fertilisers and increase the flow of water to the Everglades, one of the world's most famous swamp areas and home to a huge variety of plant and animal species.

The federal government will seek to contribute about \$16m through flood control projects and the services of the Army Corps of Engineers. The state of Florida may also contribute funds to the project.

## Menem election push opposed

By John Barham  
in Buenos Aires

THE Catholic Church and the conservative press, two pillars of Argentina's establishment, yesterday attacked President Carlos Menem's campaign to seek a second term when his present mandate ends in 1995.

His re-election effort has become the main political issue in Argentina because it would require a constitutional amendment. A presidential incumbent may not serve the next term.

Unlike Mr Menem's free market economic reforms, his re-election drive has aroused strong opposition from business and led to renewed attacks by the Church.

Yesterday, the influential conservative newspaper La Nación condemned Mr Menem's plan for a plebiscite to accelerate the amendment. Plebiscites are not binding on congress, but the opposi-

## Subpoena for Bush in BNL affair

By Alan Friedman in New York

FORMER President George Bush has received a subpoena to testify and provide documents in the long-running case involving more than \$5bn of Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

Mr Bush has consistently denied any wrongdoing by the government in the BNL affair. It is not known yet whether he plans to contest the subpoena.

The subpoena, filed by the lawyers of Mr Christopher Drogoul, former BNL Atlanta manager, calls for the ex-president to appear in September at Mr Drogoul's trial in Atlanta. It seeks from Mr Bush 37 documents, including records of conversations with both Mr Giulio Andreotti, former prime minister of Italy, and Mr Robert Gray, Mr Bush's White House counsel.

Mr Drogoul, who is accused of masterminding a multi-billion dollar loan effort that funded Iraq's nuclear and conventional weapons programme, has changed his plea from guilty to innocent.

Earlier this week, the bank unveiled a set of changes in management practices designed to address criticism of over-emphasis on new lending and to improve the quality of its projects.

Reviews of its portfolios in countries such as India and Brazil has led to \$2.3bn of projects being cancelled outright, although most of the savings are redirected towards other needs in the same countries.

Last autumn, as the BNL controversy came to a boil in the closing stages of the US presidential election campaign, a federal judge in Atlanta said he suspected a US government cover-up and stated that CIA documents proved that the Bush administration knew about and interfered with the BNL case.

Mr Robert Simels, Mr Drogoul's defence lawyer, said yesterday the Bush subpoena was designed to prove that his client was merely a tool in a broader effort by the US, Italian and British governments to help Iraq's President Saddam Hussein during his eight-year war against Iran.

"The aim is to compel the former president to appear, and to produce documents that relate to his knowledge of US foreign policy towards Iraq in the 1980s, coupled with his efforts to assist Iraq purchases

backed by loan guarantees from the US government," Mr Simels said. "We also want to show Mr Bush's communications with Prime Minister Andreotti and the Italian government on this matter."

Mr Simels said a subpoena

had also been issued to Kissinger Associates, the consultancy headed by Mr Henry Kissinger, former US secretary of state. He is seeking to quash the subpoena.

## Canada senate cancels its rise

By Bernard Simon in Toronto

dian federal parliament's upper chamber.

The senators could not have chosen a worse time to award themselves an increase.

The province of Ontario has just passed a law requiring \$50,000 civil servants to accept a three-year pay freeze and 12 days of unpaid leave a year.

The upper chamber of parliament has bowed to a public outcry by rescinding a C\$6,000-a-year (£3,180) rise in expense allowances, which it approved less than three weeks ago.

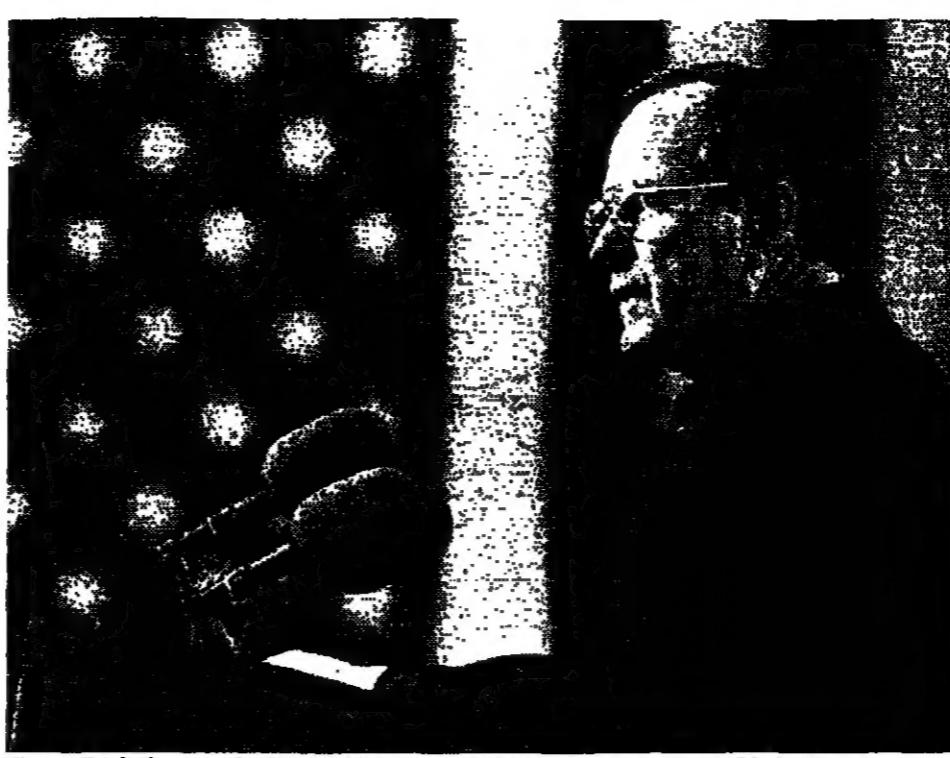
"The senate made a mistake on June 23, and public opinion on a matter of this kind must be respected," said Senator Lowell Murray, government leader, at a special session convened on Monday night to overturn the increase.

The 104 senators owe their seats to patronage appointments by former Conservative and Liberal prime ministers, but they are at present a little more sensitive to public opinion than usual.

The about-turn is "not a humiliating thing," Senator Murray declared, but "the right thing."

Not all his colleagues agree. The lone senator from New Brunswick who stuck by his original vote noted that the arguments made last month, in support of more generous travel and accommodation allowances, still applied.

"I've seen nothing to change my mind," he said.



George Bush: Lawyers for former BNL manager Christopher Drogoul want his testimony

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ITC staff report will bear on dumping decisions

## Import prices 'often higher' than US steel

By Nancy Dunne  
in Washington

THE PRICE of steel imported into the US is often higher than the steel sold by the American mills which are accusing their foreign competitors of widespread dumping, according to a report produced by the staff of the International Trade Commission.

The ITC's staff report forms part of the record for the agency's six commissioners when they weigh their decisions on 72 flat-rolled dumping and subsidy steel cases now moving towards conclusion. Injury findings in the controversial cases are due on July 27.

"Imports generally cost twice as much as domestic steel," said a senior ITC staff member, who asked not to be identified. Often the foreign products are of higher quality, or capable of special use, and price is not a factor.

In fact, high-quality imports often cost so much more that a lawyer defending South Korea before the ITC introduced commissioners to a "dummys" theory - arguing that US steel customers had to be "dummys" if they are buying from abroad a product they can get domestically and paying more.

The prices charged for steel imports could be the key to the 72 cases against foreign companies, which are accused of depressing US prices. About \$3.2bn (£2.2bn) in preliminary

tariffs have been levied against them, but the duties would be lifted if the ITC fails to find that imports are the cause of the US industry's troubles.

A survey conducted by the non-partisan ITC staff found that price is rarely an issue when US manufacturers purchase foreign steel products. More often, the steel is purchased for reasons of higher quality, reliable supply or superior technical support - the reasons they buy from Americans.

According to the survey, users also buy from domestic sources because of shorter lead times between orders and delivery, because of "Buy American" policies, and of scope for placing smaller minimum orders.

Several purchasers said they would not buy any foreign steel if comparable domestic products were available at lower prices; others said they bought imports because a comparable product was not available from domestic mills.

The staff also found that foreign companies as a whole had increased market penetration for hot-rolled steel. The share steadily increased from 13.2 per cent in 1990 to 15.3 per cent in 1992. However, the increases were captured by Canada, South Korea and the Netherlands, while other countries' shares were constant or declined.

Lawyers representing foreign producers were pleased with the staff report, but say the ITC commissioners are unpredictable and sometimes biased towards the domestic industry. The senior ITC staffer confirmed that impression. "A minority of commissioners vote on the merits of the individual cases," he said. "We look at the decisions... and they're from Mars."

Mr Jim Howard, an expert on the "unfair trade" laws, said the commission could look at the higher prices and rule the defendants guilty of "quality dumping" - meaning that the price difference is less than the quality difference, and the foreign steelmaker should charge more even if prices are higher.

"The decisions are often written by the commissioners' staffers," he said. "They are political animals."

Meanwhile, US steel users have organised to lobby against the industry's effort. They say the higher prices resulting from the tariffs will make their products uncompetitive on export markets.

The Coalition of American Businesses for Stable Steel Supplies said the high tariffs hurts small business which is expected to generate most of the country's new job.

"Supply instability and higher prices will reduce the competitiveness of literally thousands of American companies that employ perhaps up to 3m American workers," the group said.

Officials have estimated the cost of each bridge at \$120m

## NEWS: WORLD TRADE



Michael Portillo: led delegation to Chile

## Cash sought for Danube bridges

BULGARIA is looking for foreign investors and partners to build its share of two new bridges across the River Danube, officials said yesterday. Reuters reports from Sofia.

Bulgaria and Romania plan to build the bridges across their Danube frontier to ease a heavily congested route that links central Europe, several former Soviet republics and the Middle East.

"We are inviting foreign bids for the construction of the bridges," said Mr Maley Donchev, technical director of Bulgaria's Danube bridge directorate. Neither country had the money to construct the bridges and would have to rely on investment from abroad.

Officials have estimated the cost of each bridge at \$120m. They would be built over the next four years and customs posts will be combined to save time.

Mr Donchev said Mitsubishi from Japan had shown interest in the project, as had other companies from South Africa, Turkey and Austria.

Only one bridge links Bulgaria and Romania at present and it is severely congested because of diverted traffic from the former Yugoslavia, wracked by civil war.

It is planned that one road and rail bridge will link the Bulgarian river port of Vidin with the Romanian town of Calafat, and the other will connect Oryahovo on the Bulgarian side with the Romanian town of Bekte.

By David Pilling in Santiago

FIVE British companies, among them British Gas, Rolls-Royce and British Steel, are discussing possible participation in the trans-Andean gas pipeline with a Chilean consortium.

The project, expected to cost \$1.2bn-\$2bn, will carry gas from southern Argentina to Chile's capital, Santiago, a distance of 1,200km.

UK company executives visited Chile recently as part of a delegation led by Mr Michael Portillo, Britain's chief secre-

tary to the Treasury. They discussed participating in transmission and distribution work with Chilectra and ENAP, which hold the gas supply contract.

The project has a target completion date of late 1996.

Mr Portillo said the broader aim of his trip was to raise Chile's profile among UK business. Although Britain had historically been a big investor in the country, it had been slow to exploit recent opportunities outside the mining sector.

Chile's economy, though rel-

atively small, is one of the fastest growing in Latin America. Its exports are equally divided between Europe, Asia and the Americas.

Mr Portillo, who said ministers had assured him of the country's commitment to free trade, is keen to speed up two bilateral trade deals: a double taxation accord and an investment promotion and protection agreement. After talks with Chile's foreign minister, Mr Enrique Silva, he expressed confidence that the taxation accord would be signed "before the end of the year".

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PLN says that its recommendation was based on the proven track record of ABB and Mitsubishi in Indonesia.

Industry officials also suggest that technical variations in the proposals could account for the cost difference.

## GEC-Alsthom backed in Indonesia power bid

By William Keeling in Jakarta

GEC-ALSTHOM, the Anglo-French supplier of electricity generation equipment, has gained support in the Indonesian parliament, in the bitter fight to win contracts for two 300MW power stations.

Mr Eriko Stoekardja, deputy chairman of the Indonesian parliamentary energy commission, has called on the government to explain why a rival bid

were favoured, even though it is significantly higher than that tendered by GEC-Alsthom.

PLN, the country's state-owned electricity company, recommended last May that the German operation of ABB, the Swiss-Swedish group, and

Mitsubishi of Japan should build the gas-powered stations, at Muara Tawar in West Java, and Pasuruan in East Java.

Some \$22bn of investment in new capacity for the power network is planned in the period 1994 to 1999, and, according to one industry official, the companies "are playing rough and ready business politics" to win a share of

the market.

Antara, the state-owned news agency, says GEC-Alsthom has written to Indonesian President Suharto, setting out its bid of \$500 per kilowatt, valuing the stations at \$150m each, and a commitment to complete them by September of next year.

The bid by ABB and Mitsubishi

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## Correction

PDV S.A. of Venezuela was wrongly referred to as the state oil company of Colombia on page XV of FT Exporter (June 29). The Colombian national company is Ecopetrol.

## Eastward with success in glass

Ronald van de Krol visits a Philips factory venture in Poland



THE easiest way to measure the transformation of Poland's biggest lighting company is to look for broken glass - or a lack of it - at its production site.

Before Philips of the Netherlands took a majority stake in Polam-Pila, in 1991, the company had to produce 170 glass tubes to end up with 100 fluorescent lights.

This was because 70 per cent of all glass tubes broke, cracked or ended up faulty. The tell-tale signs of inefficiency were the shards of glass littering the factory floor.

Now - after investments in a new glass furnace, intensive training of staff and the advent of stringent quality control - Philips Lighting Poland, the new Polam-Pila, needs to produce just 112 tubes for every 100 effective fluorescent lights. This ratio compares well with the 108:100 achieved by Philips factories in such places as the Dutch town of Roosendaal.

Showing off his new, computer-driven quality-control system, Mr Stanislaw Kozlowski, the 42-year-old general manager, says: "Before, we had four grades of quality that we checked for. Now we accept only one type of quality - the best."

The sharp improvement, achieved by a 3.5-fold increase in annual investment to Fl 31.8m (£7.6m) means that the company, at Pila in north-western Poland, is now allowed to export some of its products to the Philips sales organisation in the Netherlands.

This effectively puts a small portion of its production on a par with that of the 11 other lighting plants maintained by Philips in western Europe.

Still, the Polish company has

a long way to go, despite turning in a small profit for 1992 after running up a loss in 1991.

The contrast between the new and the old is vividly highlighted by Building 61A - a showcase of new Philips-built equipment - and Building 48, described by one manager as an "industrial archaeological museum".

Indeed, inside the hall, pride of place is reserved for two machines dating from the 1920s. These were confiscated from the old Philips factory in Warsaw, after nationalisation in 1945, and are no longer in service. The rest of the machines in the hall are virtually carbon copies of this original, outdated, machinery.

For Philips, Polam-Pila is an important step in its plan for eastern Europe, giving it a strong foothold in the region's biggest market and access to a company with a proven record in exports.

In 1992, exports accounted for nearly 50 per cent of sales of \$55m (£37m). Most of these were to store chains in North America and Britain, which sold the lamps under their own label.

Russian exports, hit by turmoil in the former Soviet Union, have started to recover, now that sales are denominated in dollars and linked in a complex counter-trade arrangement to Polish imports of Russian oil.

The Polish investment is important because it marks a departure from the normal Philips practice. Instead of stationing a team of expatriate managers in Poland, the Dutch company chose at the outset to work with local management under Mr Kozlowski, whose 80-hour week is testimony to the challenge of switching from a command economy to a free market.

In many ways, the success of Polam-Pila under Philips is an extension of its impressive

achievements under the constraints of communism. The company used to be bound to follow ministerial edicts from Warsaw, but it was allowed to start exporting to the west in the 1970s and to expose itself to the rigours of self-financing in the 1980s.

"In spite of adverse conditions, they had developed according to their own philosophy, they were motivated and they were serious," according to Mr Einar Kloster, president of the Philips lighting division.

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# Rising death toll stokes Somali hatred against UN

The crusade against General Aideed has damaged the peacekeepers' claim of impartiality, writes Leslie Crawford

**T**HE killing of four journalists in Mogadishu on Monday - shot, stoned and clubbed to death by a mob seeking revenge for its own dead - has laid bare how tragically the United Nations' humanitarian mission in Somalia is unravelling.

Since the UN launched its night-time bombing raids over the capital in retaliation for the slaying of 24 Pakistani soldiers last month, gunmen loyal to General Mohamed Farah Aideed have turned south Mogadishu into an urban guerilla war theatre.

The rising death toll - 35 UN troops, more than 100 Somalis - and the UN's decision to single out Gen Aideed as the chief villain in a land of feuding warlords, has stoked Somali hatred against what is now perceived by many as a foreign occupation force.

On Monday, after American Cobra helicopters bombarded a compound in the heart of the city, the hatred spilled over to encompass all foreigners.

The journalists who were mobbed and killed at the bombed compound were well known to the residents of south Mogadishu. These

Somalis used to entreat foreign reporters to come to see the destruction wrought by UN forces. Mr Dan Eldon, a 22-year-old British-American Reuters photographer, was so well known in the area after working there for a year that he had been nicknamed the "Mayor of Mogadishu". That he should have been stoned to death indicates how radically the mood has changed.

The UN's crusade against Gen Aideed has made the general into a local hero, when only a few months ago his authority was waning. It has also damaged the UN's claim to be an impartial policeman and further undermined its credibility among Somalis.

Accounts of the recent attack diverge significantly. Gen Aideed's National Somali Alliance claims a meeting of clan elders was taking place when the compound came under attack. It says 74 people were killed and more than 200 wounded.

But Mr Barry Walkley, the UN spokesman in Mogadishu, insisted yesterday that the compound was a command centre and rallying point for Aideed militia. "We are con-

## BOUTROS GHALI WARNS ON UNPAID BILLS

THE United Nations faces a financial crisis of unprecedented dimensions because member states have not paid peacekeeping bills, notably in the former Yugoslav republics and Somalia. Mr Boutros Ghali, secretary general, said yesterday, writes Michael Littlejohns, UN Correspondent, in New York.

With arrears on regular budget and peacekeeping accounts already exceeding \$2.5bn, he warned of the high probability that the UN soon would be unable to meet its day-to-day obligations.

vinced there was no loss of innocent lives during Monday's assault," he said. "UN troops counted 13 militia [members] dead and 15 wounded, maybe more. There is no way 70 people could have been killed."

The question of UN-inflicted civilian casualties is straining relations among the 20 odd national contingents that comprise the 20,800-member UN peacekeeping force.

Suspicion, mistrust and national rivalries are undermining the UN's military command structure, formally under the authority of Turkish

Gen Cevik Bir but led in practice by Gen Thomas Montgomery, commander of the US forces in Somalia.

The 2,600-strong Italian contingent is now allegedly taking its orders from Rome and has refused to follow instructions from the UN command. Leading Italian newspapers were united yesterday in their condemnation of the US-led assault, after Mr Fabio Fabbri, defence minister, openly called for the suspension of all UN combat operations in Mogadishu.

Rome fears the UN is sinking

deeper into a military quagmire in Somalia and is reluctant to become involved in a prolonged, senseless conflict.

Mr Fabbri's remarks earned him a sharp rebuke from Mr Boutros Ghali, the UN secretary general, who said it was unacceptable for any troop contingent to take action outside UN command.

UN officials distrust what they see as Italy's separate agenda in its former colony. They suspect the Italian contingent may have struck a deal with Gen Aideed's Habir Gedir clan following the deaths of

three Italian soldiers earlier this month.

They believe the Italians may have created a safe haven for Gen Aideed's gunmen and perhaps even for the fugitive warlord himself.

Aid agencies too are increasingly critical of the UN's military operation for losing sight of its political and humanitarian objectives.

"We are primarily concerned with the unnecessary loss of innocent lives," said Mr Howard Bell of Care International, who was in Mogadishu during Monday's assault. "Our

relations with the military have deteriorated in the past month. It has become difficult to plan relief work as we cannot always rely on military escorts."

Care has withdrawn all but three foreign aid workers from Mogadishu due to the precarious security conditions in the capital. It says it has not been able to supply its 35 feeding centres there on a regular basis since the UN launched its military strikes in June. Before then, Care was feeding 175,000 displaced Somalis in the capital every day.

The UN, however, insists that any idea of reconciling rival clan and promoting a political dialogue cannot be achieved until Gen Aideed's militias have been disarmed. "We need more troops," said Mr Walkley. "This country is awash with weapons and we are not naive about the enormity of the task. Security has become our paramount concern."

But Mr Walkley admits that the UN is operating virtually under siege in the capital. It has retreated into a heavily fortified compound on the outskirts of town. UN staff are not

allowed outside the compound and are transported to the airport and other sites by helicopter.

Outside the capital, he says, progress is being made in bringing clan elders together for talks. Kismayo, the southern port, is reported to have been peaceful since two rival warlords were banished, and truces have been negotiated in other areas.

But other Somalia watchers doubt whether the UN has the ability to fulfil its aims. "The UN is being naive if it thinks it can transform a desert region of nomadic tribes into a model democracy," said Dr Murray Watson, a scientist who lived in Somalia for 14 years.

"I can't think of a worse test case for the UN's new role as global policeman. They simply don't have enough experts to know what they are doing."

He said: "Somalis have a tradition in which blood crimes are repaid with blood. For the past month they have been counting the death toll inflicted by the UN. Foreigners will be killed in Somalia, whether they wear a Blue Helmet, a nurse's uniform or a camera."

## IMF directors to review Vietnam debts

By George Graham in Washington

**D**

The meeting will be the IMF's first discussion of Vietnam since President Bill Clinton announced that the US would no longer oppose efforts to pay off the country's arrears and bring it back into good standing with the international financial institutions.

The US representative on the IMF board is expected today to give a formal signal on Vietnam to his colleagues, who say they have so far read of Mr Clinton's intentions only in the press.

This could trigger the formation of a support group headed by France and possibly Japan to provide bridging finance that would enable Vietnam to clear its arrears with the IMF, which total around 100m \$pe.

## India posts 30% jump in exports

By Paul Adams in Lagos

**I**NDIA'S exports recorded a 30 per cent growth to reach \$3.45bn (£2.34bn) in April and May, the first two months of the current fiscal year, against \$2.67bn in the corresponding period of last year, writes Shiraz Sidhu in New Delhi.

Official statistics yesterday showed imports fell 4.05 per cent to \$3.47bn compared with \$3.61bn. The country's trade deficit has fallen to \$6.55bn against \$944.7m last year.

Mr Kamaluddin Ahmed, minister of state for commerce, said the year had "begun on a positive note," adding that the export target of 20 per cent growth in 1993-94 would be feasible.

The parliamentary committee investigating the Rs50bn (£1.05bn) Bombay financial scandal yesterday summoned records of phone calls, visitors' registers, and other documents from the office and residence of Mr P V Narasimha Rao, prime minister, after an allegation by Mr Harshad Mehta, the Bombay stockbroker, the main accused in the scandal, that he had paid Rs10m to Mr Rao.

## Iraqi regime prepares for further US strikes

By Our Middle East Staff

**I**RAQ yesterday began to prepare the public for possible US military attacks, following its refusal to let United Nations weapons inspectors seal off two missile sites west of Baghdad pending installation of remote-control cameras.

Mr Rolf Ekeus, head of the UN weapons inspection team, flew to Bahrain yesterday on his way to Baghdad in what is likely to be the final attempt to use test facilities for developing longer-range weapons.

cial drawing rights, the Fund's internal accounting unit.

IMF officials have already established close links with Vietnam and agreement on an economic policy programme could follow quickly once the country has paid off its arrears. This in turn would allow Vietnam to draw up to SDR12m (£112.15m) from the IMF under a standby financing agreement.

Once money has started to flow into Vietnam from the IMF and the multilateral development banks, the US government will find it difficult to resist pressure from US business to lift its trade embargo.

Although most members of Congress supported the Clinton administration's move to drop US opposition to the clearing of Vietnam's IMF arrears, Mr Robert Smith, a Republican senator from New Hampshire, returned from Hanoi last weekend still convinced by reports that US prisoners of war had been sighted after 1973, when Vietnam said it handed over all prisoners.

## SDP rejects fresh polls in Nigeria

By Paul Adams in Lagos

**S**DP rejects fresh polls in Nigeria

By Paul Adams in Lagos

**I**NDIA'S Social Democratic party, the apparent victor in an aborted presidential election last month, has refused to take part in a new poll sought by the military government.

On Monday night President Ibrahim Babangida withdrew his offer to let the SDP and the rival National Republican convention form an interim government of unelected civilians and replace his eight-year regime on August 27, the scheduled date for completing the transition to democracy. The NRC has always said it would prefer another election.

Yesterday the government said an interim government would have invited instability. The president used similar reasons to explain annullment of the June election, in which Mr Moshood Abiola, the SDP candidate, was ahead when counting was halted.

A group of leading Nigerian including two ex-heads of state condemned the government's action and demanded that "the Babangida administration be terminated forthwith."

## Iraqi regime prepares for further US strikes

By Our Middle East Staff

**I**RAQ yesterday began to prepare the public for possible US military attacks, following its refusal to let United Nations weapons inspectors seal off two missile sites west of Baghdad pending installation of remote-control cameras.

Mr Rolf Ekeus, head of the UN weapons inspection team, flew to Bahrain yesterday on his way to Baghdad in what is likely to be the final attempt to use test facilities for developing longer-range weapons.

## Takeshita forced on to the stump

But former prime minister is still the local hero, reports Emiko Terazono



Noboru Takeshita: most voters in his home prefecture of Shimane expect him to be re-elected

speaking in his hometown Shimane dialect, but he also feels the need to justify his past actions and blame the scandals on the media. He defends himself against claims that he had used gangster links to silence an extreme right-wing group which had mounted a "praise to death" campaign against him in 1987 before his elevation to the premiership.

"I couldn't see the Komito (the right-wing group) because they were praising me," he says in front of an audience of 30m in a civic hall of Hakata, a village tucked away amid the mountains.

He also tells supporters that

minister or prime minister.

"I have many friends abroad," he says, stressing his role as an elder statesman. Mr Takeshita expresses his concern for the environment, implying that he had proposed the earth summit in Rio last year.

He does not fail to add his support to political reform. "It's the sign of the times and I'd like to contribute what I can through my experience as a politician," he says.

After nodding in approval, supporters listen intently to Mr Takeshita's recollections of the six summit meetings of the Group of Seven leading industrial nations he attended as finance

"It's the media's fault that

## Quake overshadows Japanese poll

Miyazawa views damage and pledges aid, reports Michiyo Nakamoto

**M**RIKICHI Miyazawa, the Japanese prime minister, yesterday flew to Hokkaido as well as the coasts of 10 prefectures in northern Japan, causing extensive damage to local fishing villages and

the Sea of Japan 10 years ago.

Tidal waves reaching up to five metres hit Hokkaido as well as the coasts of 10 prefectures in northern Japan, causing extensive damage to local fishing villages and

On Okushiri island, close to the earthquake's epicentre, houses continued to burn last night. More than 300 houses caught fire in the Aomae area of Okushiri alone and a cliff buried a nearby hotel within seconds of collapsing.

Residents of Okushiri were moved to a local school and 100 Self Defence Force military personnel were flown in to distribute fresh water and food and help in the rescue.

The damage done to towns in Hokkaido is bound to raise fears in Tokyo of a severe earthquake hitting the area in the near future. The Kanto plains, where Tokyo is located, were devastated by a quake in 1923 and studies suggest that

another could occur in the not too distant future.

towns. Tidal waves also reached Russia's far east coast, leaving a handful of people missing, damaging fishing vessels and an oil pipeline. In addition to the 61 people reported dead in Japan, 169 were missing, 550 houses collapsed and 345 houses were under water.

After shocks continued in the region yesterday and the meteorological agency warned

the danger remained of an after-shock of a magnitude of 6 hitting the region within a month.

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another could occur in the not too distant future.

The diplomat noted that the guerrilla leader had not met Hun Sen once his most bitter foe and now a co-president in the interim government that will rule until elected representatives can write a new constitution.

## Cambodia guerrillas in peace gesture to rivals

**K**HMER ROUGE guerrillas are willing to join Cambodia's new national army to try to bring peace to the country, according to Mr Khieu Samphan, the faction's president. Reuter reports from Phnom Penh.

He also told reporters that Prince Norodom Sihanouk, the head of state, had offered the Khmer Rouge ministerial posts in the new government.

"We have proposed to establish a quadripartite army so as to avoid clashes and confrontation on the military field," he said after talks with the United Nations military commander and the deputy peacekeeping chief.

"We see it as the only way to solve and avoid clashes and confrontation."

A diplomat warned, however, that the Khmer Rouge may be putting a rosier glow on its new-found friendship with the government than was warranted.

"It sounds as though only one concession has come out," he said.

But he noted with concern that the Maoist group's willingness to join a united army did not mean it would give up the 15 per cent of Cambodia that it now controls, or even allow free access to the areas.

The hardline Khmer Rouge fields 10,000 to 15,000 guerrilla fighters.

About 100 of them last Wednesday attacked government troops and overran the 12th century temple they were guarding near the country's northern border with Thailand.

Mr Khieu Samphan returned to Phnom Penh yesterday after an absence of three months and went straight into a meeting with Prince Norodom Ranariddh, joint leader of the interim power-sharing government.

The prince told him that Cambodia's head of state "has in mind to give us some ministerial posts," Mr Khieu Samphan said.

"If that is the case, we will accept with pleasure in the spirit of national reconciliation."

He added, however, that the Khmer Rouge sought a role as advisers rather than cabinet posts.

The US has said it would have difficulty supporting a government that included the Khmer Rouge.

The 3½-year Khmer Rouge rule claimed 1m lives until Vietnam invaded in December 1978 to oust the group and install a sympathetic government, led until UN-organised elections in May by the then prime minister Hun Sen.

The Khmer Rouge and two non-communist guerrilla allies waged a civil war against that government until a UN-sponsored peace pact in October 1991 that led to the elections.

## NEWS: UK

# Regulator warns of huge costs of cleaner water

By David Lascelles,  
Resources Editor

THE water industry regulator advised the government yesterday to delay the timetable for cleaning up the UK water supply or risk seeing big increases in household water bills.

In a report to ministers entitled "Paying for quality: the political perspective", Mr Ian Byatt said Britain's water quality obligations were placing enormous costs on the water

industry which would have to be passed on to the consumer.

If all the obligations were met they could add £54 to the typical household bill across England and Wales in the five years from 1995, and a further £23 in the five years after that. That would amount to an annual increase of five per cent in real terms.

"I do not believe that customers would want to see their water bills rising at this rate," he said. "Domestic customers

have already suffered a squeeze in their incomes. Business customers competing in difficult markets may be hard hit by large increases in water bills and the cost of treating trade effluent."

Mr Byatt singled out EC regulations for placing "an unmanageable burden" on customers. The cost of implementing the urban waste water directive had soared from an original estimate of £2bn to £10bn, he said, and the govern-

ment should consider going to Brussels to negotiate a five-year extension. He believed the UK was not alone in its concerns about EC standards.

Other regulations which could be reviewed include those on drinking water, sewage disposal, run off of fertilisers, dumping of sludge at sea and the clean-up of bathing beaches.

Mr Byatt stressed that it was "not a matter of going back to the Dark Ages, but of how far

and how fast we proceed". The report forms part of a long-running campaign by Mr Byatt to hold down costs in the water industry, and deal with mounting public concern about water bills. It is addressed to Mr John Gummer, environment secretary, and Mr John Redwood, Welsh secretary, who will have to decide whether action is warranted.

Mr Tim Yeo, minister at the environment department, said the government would gauge public reaction and try to respond by early autumn. "This is a helpful report," he said. "It shows that there is an inextricable link between higher standards and prices."

The report was also welcomed by consumer organisations and industrial users. But it was attacked by environmentalists for seeking to postpone the environmental clean-up. Mr Chris Smith, the Labour opposition's environment spokesman, said it was misdi-

rected. "Where pollution cannot be prevented, it should be the polluter and not the water consumer who pays to remove it," he said.

The report updates a paper produced last year by Mr Byatt and forms part of the consultation ahead of new water price controls due to be introduced in 1995 and run to the end of the century.

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## Corporate dinosaurs give way to youngsters

By Lucy Kellaway

THE traditional British boss, famed for being poorly educated, elderly and insular, is being pushed aside by a younger generation of better qualified managers.

A survey by Korn-Ferry, international headhunters, of the boards of British companies says a "transformation" is taking place in the education of British managers.

The survey, taken from the Times 1000 companies, shows almost 30 per cent of top executives at companies with a turnover of more than £250m were under 55, and 40 per cent were under 50.

Fewer of the younger managers had been promoted from within, compared with older ones, and almost half had been in their jobs for less than five years.

Of younger directors, 27 per cent could speak at least one language in addition to English, compared with only 15 per cent for directors between 50 and 55. Two thirds of those under 50 had degrees, compared with less than half of the older group. Among top executives in companies with turnover exceeding £1bn, 13 per cent have an MBA, more than twice as many as last year.

Mr George Bain, president of London Business School, said: "People have always said that the British manager lacks quality as he doesn't have the same training as his competitors and is insular. These figures begin to suggest that that is changing."

Mr Michael Brandon, author of the report, said pressure exerted by the recession had helped to promote younger managers, and the explosive growth in MBAs and management consultancies had made management a more attractive career for young people.

"Gone are the days when you could complain that the country's best talents were not interested in business careers", he said. He said the change was part of a general move towards a better educated society and to the expansion in university education since the 1980s.

This is the first time that the Korn-Ferry study, which is in its 14th year, has looked at the changing background of directors by generation. Comparable figures from the mid 1970s show that only one third of top managers had degrees.

The survey also found that British companies were bowing to pressure from shareholders and their peers to split the roles of chairman and chief executive.

Only 15 per cent of the companies surveyed still combined the roles, compared with 25 per cent a year ago.

## Prime minister opts for open Sunday trading

By Neil Buckley  
and Ralph Atkins

MR JOHN Major yesterday gave his backing to Sunday trading, in spite of warnings by the opposition Labour party that legislation allowing stores to open seven days a week could fail without extra protection for shopworkers.

As the Home Office unveiled four options from which MPs will choose, the prime minister shrugged off the threat that the government will not win the support of enough MPs to reform Britain's widely-flouted Sunday trading laws.

MPs will have a free vote in the new session of parliament in the autumn on which of the options in its bill will form the basis of new legislation.

But the government annoyed Labour MPs and the campaign groups whose proposals would allow all shops to open on Sunday.

Mr John Riddock, Labour's home affairs spokesman, said the threat was "hanging over the government" of MPs voting against the bill, even if there was a majority on one of the proposed options.

Mr Michael Schluter, director of the Keep Sunday Trading Campaign (KSTC), which supports only limited Sunday opening, said the government had broken its promise to give a "full and fair representation" of each campaign group's proposals by excluding their demand for full employee protection.

section and for double pay for Sunday working. He warned his group could not support any reform of the law without worker protection.

Baroness Margaret Jay, chairman of the Shopping Hours Reform Council (SHRC), which supports partial deregulation, said she was "not happy with the government's bill as it stands. I think we need much more detail on shopworker protection."

Downing Street said Mr Major would vote for total deregulation. The four options are:

• Total deregulation, allowing all shops to open at any time.

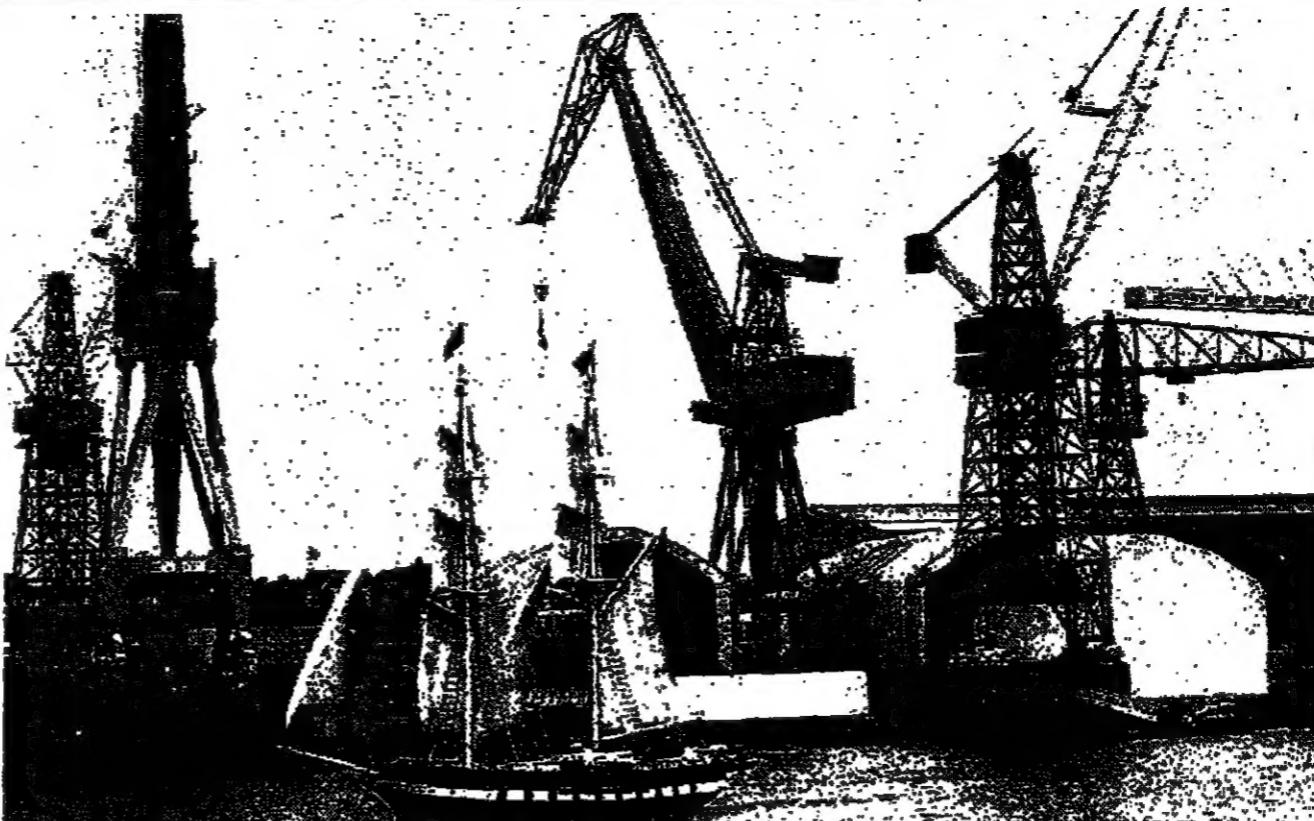
• Partial deregulation, based on SHRC proposals, allowing smaller shops to open at any time, but larger shops to open only six hours.

• Limited opening, based on KSTC proposals, which would close the majority of shops on Sundays, but would allow small shops and certain categories of large shops, including DIY shops and garden centres, to open.

• Partial opening, based on proposals from Retailers for Shops Act Reform, similar to those of the KSTC but allowing all shops to open on the four Sundays before Christmas.

Despite the government's desire to clarify Sunday trading laws, Mr Michael Howard, home secretary, admitted it was "quite possible" that none of the options would win a majority in parliament.

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The threatened Swan Hunter shipyard on the River Tyne in Newcastle provides a backdrop for a sailing ship making its way up river to prepare for the Tall Ships race this weekend. Union leaders at Swan Hunter, which is in receivership, wrote yesterday to eight companies they believe may be interested in buying the yard, pledging the workforce's commitment to its survival. Recipients include German-based shipbuilder Bremer Vulkan and Norwegian-owned Kvaerner, owner of the Clydeside Govan yard in Scotland.

## Clarke hopes to improve German links

By Peter Norman,  
Economics Editor

M R KENNETH CLARKE, chancellor of the exchequer, will next week move to strengthen economic relations between Britain and Germany with a visit to Frankfurt and Munich.

During the two-day visit, his first to Germany as chancellor, Mr Clarke hopes to smooth over any residual tensions

between the Treasury and Bundesbank, UK officials said yesterday.

Mr Clarke will meet industrialists and bankers in Frankfurt on Sunday, lunch with Mr Hans Tietmeyer, Bundesbank president-designate, on Monday and meet Mr Theo Waigel, German finance minister, in his home city of Munich later that day.

In Munich, the chancellor will give a speech that is

expected to develop the UK's ideas for improving Europe's international competitiveness through supply side policies.

UK officials played down suggestions that the chancellor would be pushing for German interest rate cuts. But while Mr Clarke's trip may lack a specific policy goal, it will mark a notable change of style from that of Mr Norman Lamont, his predecessor.

Mr Lamont, a Euro-sceptic,

made no secret of his lack of enthusiasm for meeting European finance ministers and his antipathy for the German Bundesbank in the run-up to Britain's withdrawal from the exchange rate mechanism.

Mr Clarke's meeting with Mr Waigel will be his third in a fortnight, after talks with the German minister in Tokyo last week and Monday's economic and finance ministers' council in Brussels.

## Vulnerable Major exposed by Maastricht battle

Philip Stephens examines the hurdles facing Britain's prime minister

will recognise the inherent contradiction of an unelected chamber demanding the people should decide.

If they do not, the prime minister's battered reputation will take another severe knock. Ratification would be further delayed. But eventually, the House of Commons, which has already voted overwhelmingly against a referendum, would overturn the Lords.

The second, more serious, threat lies in the subsequent vote by MPs – scheduled before the end of July – on the social chapter. Here we hit the legal technicalities. But it is important they are understood because this vote might (and the conditional tense is important) wound Mr Major fatally.

During the spring an unholy alliance of opposition parties and Tory Eurosceptics forced through an amendment related to Britain's opt-out from the

treaty's social provisions.

The amendment states that final ratification – the physical transfer of the legal instruments to Rome – can take place only after MPs and peers have voted on the wisdom or otherwise of the opt-out. It does not specify that MPs must support the deal negotiated by Mr Major. Merely that a vote must take place on a motion proposed by the government after the bill has become an act.

The trap lies in another amendment being framed by the opposition Labour party. In essence the new amendment, on which MPs will vote alongside the government motion, will say this: even though Maastricht has been enacted, the treaty itself should not be ratified unless the opt-out is scrapped.

We are back to the unholy alliance. Labour is drafting the

change in close consultation with the Tory sceptics. If the opposition can persuade a dozen or so rebels to join them then Mr Major could be defeated.

**T**he sceptics, of course, do not want the social chapter. But some of the diehards see in it a last chance to wreck the whole process. After all, Mr Major has declared he could never abandon the opt-out.

In the event of a government defeat Mr John Smith would demand the prime minister embrace the social chapter while the sceptics – including perhaps one or two in the cabinet – would insist he abandon the entire treaty.

Of course it is not that simple. And it is possible that Mr Major could simply ignore the vote and complete the ratification process regardless. It would be

messy – and probably subject to later judicial challenge – but better than leaving Britain isolated in Europe.

Politics though might count for much more than legal sophistry. It is far from clear he could survive such a blow to his authority. Whatever the advice of the lawyers, however perverse the motivation of some Tory MPs, it might be impossible to ignore the expressed will of parliament.

All these issues were discussed in detail by the prime minister and his most senior colleagues yesterday. They concluded on tactical grounds not to disclose their intentions in advance of the social chapter debate.

Perhaps they have a master plan, overlooked so far by their opponents. More likely they believe that uncertainty offers the best chance of unnerving the Tory sceptics.

Some in the government disagree. They want Mr Major to give an unequivocal commitment to ratify come what may – a public warning to the rebels that if Britain were to end up with the treaty plus the social chapter they would bear the blame.

Perhaps life is not that simple. And the same message presumably can be conveyed to the sceptics as effectively in private as in public. But there is no other option but to ratify Maastricht. A majority in the cabinet – foreign secretary and chancellor of the exchequer – could accept a different outcome.

The sceptics eventually may understand this and vote for once with their own party. But what price on Mr Major's premiership if he does lose the Commons vote on the social chapter and then suffers a crushing defeat in the forthcoming Christchurch by-election?

A 260m order for electronic equipment has been awarded to GEC-Marconi, which will safeguard 200 jobs in Scotland and Surrey. The equipment will link the army's artillery to surveillance and targeting systems and form part of the £300m computerised Battlefield Artillery Target Engagement System. Rates should cut the risk of "friendly fire" incidents, because the position of allied units are recorded in the computer.

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## Eleco snaps up Callaghan as its chief executive

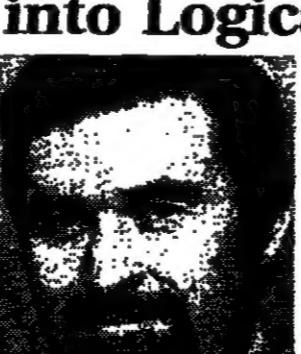
Eleco, the building products, contracting and distribution company, has replaced its former chief executive 41-year-old Michael Webster, who had been in the position for the past six years, with Australian-born Peter Callaghan.

Chairman Field Walton explains: "We had some rather dreadful interim results, which had concerned the whole board." In February, the company reported a £2.21m loss for second half 1992.

Together with two recently appointed non-executives, Walton says he approached the executive management and explained that he expected to see changes. "It was the style of management more than anything else. The approach had worked very well for acquiring businesses. But the new acquisitions tended to have been treated as investments. The [recessionary climate] demanded more hands-on management."

Of Callaghan, he says: "It is amazing he has not been snapped up before now."

## Read plugs into Logica network



Logica, the computing services company, is strengthening its senior management by promoting David Mann into the new position of deputy chairman, and bringing in Martin Read (right) as the next managing director and chief executive.

Yves Tuloup as chairman, Jean-Paul Oudet and Charles Bernard of SOCIETE GENERALE STRAUSS TURNBULL SECURITIES; the previous chairman Patrick Duverger, head of Societe Generale's capital markets division who will concentrate more on the corporate side of capital markets.

John Elford Jones, former chairman of Welsh Water, at BMSS; John Guittet, chairman of British Nuclear Fuels, at OCEAN GROUP.

Stuart Henderson, former chairman and chief executive of Contractors Services Group which he sold to EBT, as chairman of INTERNATIONAL MACHINERY COMPANY, the Terex and Samsung distributor which bought Blackwood Hodge from the BM Group.

Sir Jeremy Black, chairman of Remy & Associates, and John McLaren, a director of Morgan Grenfell, at MACALLAN-GLENLIVET.

Keith Chapman, founder partner of Crouch Chapman, at WINDSOR.

Smout moves up at the Bank

Clifford Smout, who is just 35, is being promoted to the position of deputy head of the Bank of England's supervision division, in charge of supervisory policy. He replaces Richard Farrant, the new chief executive of the Securities and Futures Authority. A decade younger than the other three deputies, he will report to Michael Foot, who is to take over from Roger Barnes.

An economics graduate from Clare College, Cambridge, Smout joined the Bank in 1978, initially in the international division, concentrating on economic forecasting. His next port of call was money markets, and, following the implementation of the Financial Services Act, he became involved in setting up the division supervising wholesale money markets. Between 1987 and 1989 he was private secretary to the then deputy governor Sir George Blunden. He moved on to the foreign exchange side, and then into his most recent job – manager in the supervision division in charge of North American banks.

## Britain in brief

Summit urged on recycling scrap cars

Car makers need urgently to call a world "summit" to seek solutions to the problems of vehicle scrap and recycling, which threaten to be overwhelming, an industry study has warned.

London-based consultancy Euromotor, is critical of what it describes as the industry's "piecemeal" approach to recycling. Warning that the weight of plastics – the most difficult material to recycle – from cars by 2010 will present as big an annual waste problem as big as the total tonnage of cars scrapped in the 1990s, the study calls for the formation of an international body – possibly a UN working group – to tackle the problem.

Of 15m cars currently scrapped annually in Europe, only half are dealt with at authorised scrapyards, with the remainder left to rot.

Even where recycling takes place, up to 3m tonnes of currently unrecyclable scrap are buried each year and Europe is "running out of dumping space".

## Quarter of house sales fail

More than a quarter of house purchases collapse before contracts are exchanged according to a study by the Lord Chancellor's department. Delays were mostly due to the time taken to obtain mortgage finance or by last minute attempts to renegotiate prices.

It took just over six weeks for an average transaction to progress from initial agreement to exchange of contracts. To complete a purchase took two months. The report said the average cost of buying or selling a house in England and Wales represented about 2 per cent of purchase price, the cheapest in Europe.

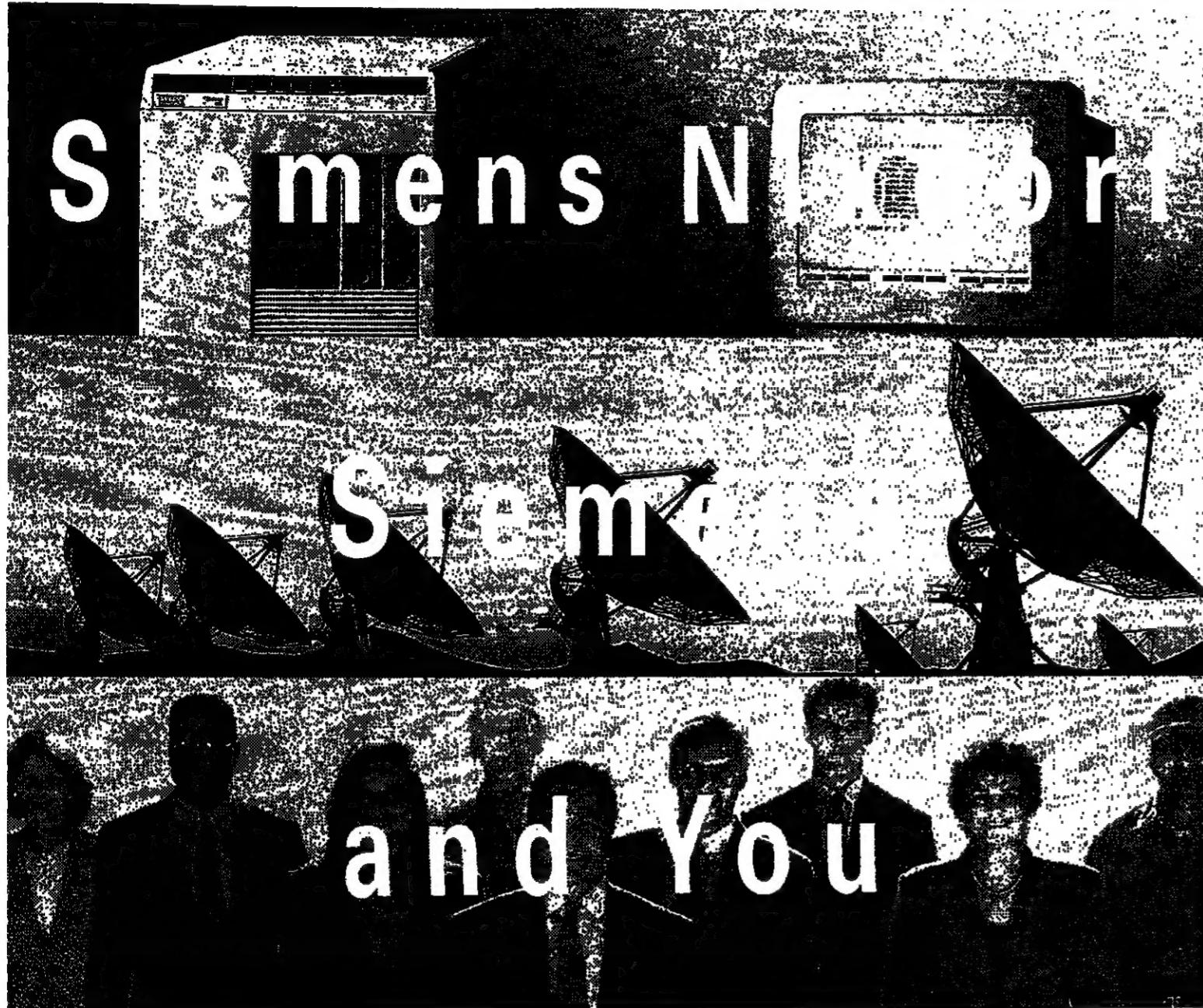
## Reporter hits at BBC chief

Mr Mark Tully, the BBC's distinguished South Asia correspondent, has delivered a tirade against the way Mr John Birt, BBC director general, is running the

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INFORMATION TECHNOLOGY

# IT-WORLD NEWS



Synergy between partners, drawing on the huge potential of Siemens AG for performance capacity far beyond the reach of Siemens Nixdorf on its own, and working with clients to plan and develop the final product: integrated solutions, from central servers in administration to process control computers in the factory – solutions which can only be provided by Siemens Nixdorf working with Siemens AG's plant, transport and automation technology divisions and public and private networks. From "Computer Integrated Railroading" – the computer-supported control and supervision of rail movements at the Munich North shunting yards – to the integration of diverse computer and database systems for a more efficient construction and redevelopment strategy at Horsham – planned by Siemens and carried out by Siemens Nixdorf. The achievements of "Synergy at work" worldwide translate into benefits for clients in every sector, from BMW to national energy suppliers such as MEW Kuwait. See this new issue of IT World News for more details.

Synergy at work  
with Siemens AG

Example of synergy in power supply  
**Kuwait: From high voltage network to data network "Synergy at work" covers the lot.**



The Kuwait Ministry of Electricity and Water (MEW) is investing 130 million DM to bring itself right up to date in terms of monitoring and controlling the power station operation together with the 300/132 kV high voltage network. The aim is to create an integrated mains supply technology within 36 months, thereby making the power supply more reliable and more efficient. Siemens is providing the mains technology – using SINAUT Spectrum. Combined with this is Siemens Nixdorf's latest computer technology – workstations with SINCAL SINIX software, and PCs for office automation, as well as intelligent expert systems for troubleshooting in the event of system failures. SINCAL provides comprehensive network planning, calculation and analysis – data from the power stations and substations is transmitted, processed by the computer system and displayed on screen as compressed graphical information. Using this information, the power station operation can be perfectly coordinated and the electricity network economically operated – through optimal load distribution. As well as updating the mains technology, MEW's communications transmission network in Kuwait will also be upgraded and modified.

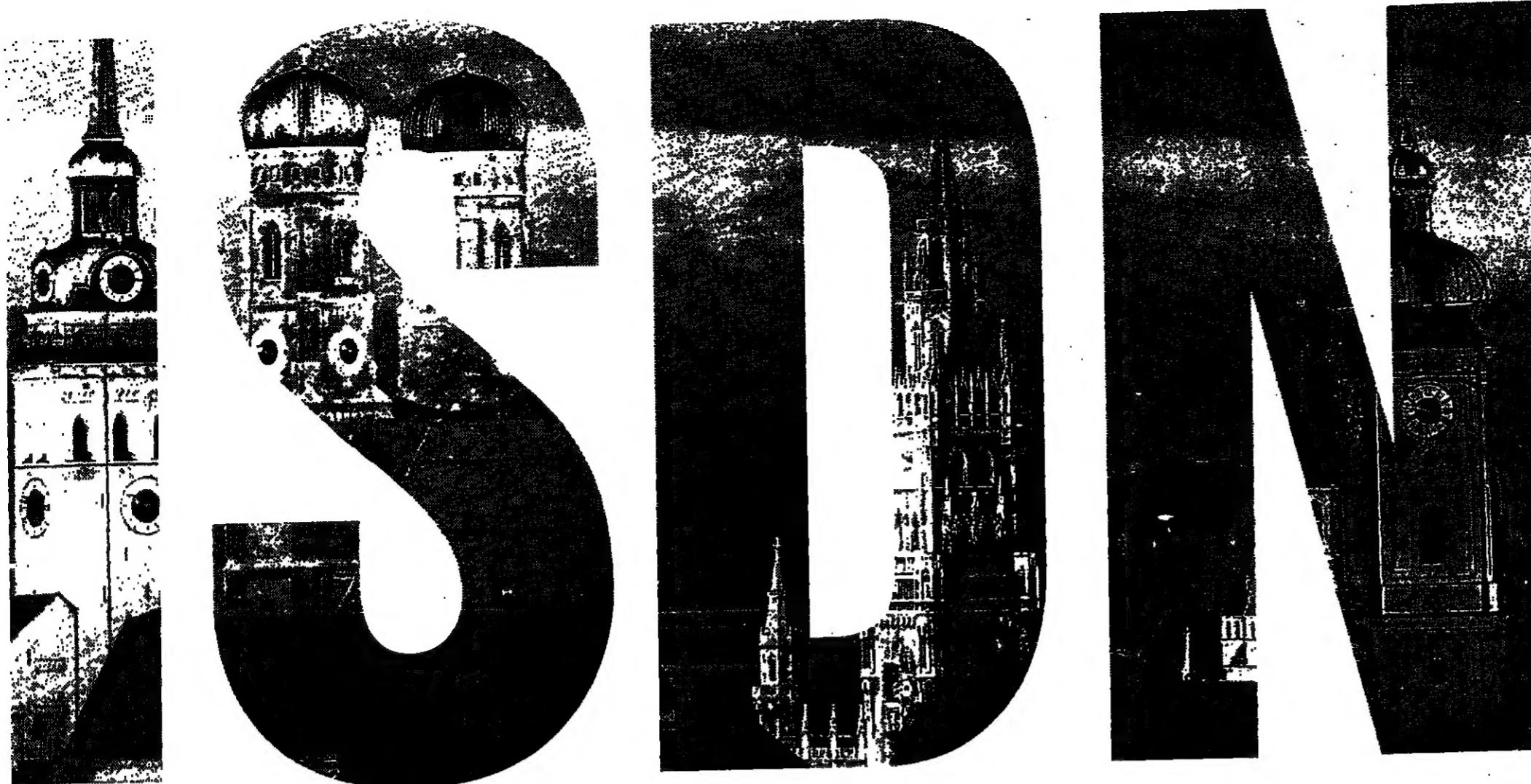
Example of synergy in telephone billing

## Bangkok: Hot billing a hit at the Telephone Organisation of Thailand.

To ensure first-class service to its customers, the Telephone Organisation of Thailand (TOT) has decided to utilize "Synergy at work", by combining the Siemens Digital Public Switching System EWSD with a SINIX® computer with RISC-architecture from the Siemens Nixdorf Group. The company has installed Siemens' EWSD digital switching system which puts through several million phone calls every day, as well as recording charging units. "Synergy at work" then provides instant telephone billing at the company's branches, through direct connection of Siemens Nixdorf high-speed SINIX computers to the EWSD, and a link to the account printer at TOT branches. Via the EWSD system, the computer is immediately informed of the duration of a public telephone call made by a TOT client. It calculates the units and charges, and prints out the account in Thai script. The advantage for the client is that it is no longer necessary to wait for the clerk on duty to read the charge meter, look in the rate list and calculate the charge. Instead, the entire transaction ope-



8  
**SIEMENS**  
**NIXDORF**



Example of synergy in city administration

## Munich: Digital networks for closer links with the community.

Siemens and Siemens Nixdorf are bringing Munich's City Administration into the hi-tech age, using an integrated data and telecommunications solution. An ISDN digital telephone network will also provide the means for rapid handling of documents and information, using Siemens Hicom telephones with Siemens Nixdorf PCs and SINIX computers. The aim of this networking is to establish a modern client-server link connected to BS2000 mainframes. All PCs will run the

Siemens Nixdorf OCIS office solution, under the ComfoDesk graphical user interface. The result will be a complete solution linking 10,400 workstations on 250 sites into an in-house network. At the same time, the Administration's various offices, in many cases in buildings protected by preservation orders, will be spared costly cablework - ISDN provides rapid data transmission simply by using existing telephone lines. Text and graphics can be transferred within seconds. The system also takes care of time man-

agement: a central timetable stores appointment times for all parts of the Administration and facilitates the organisation of meetings. The rate at which enquiries are handled and tasks processed is markedly increased. Slow postal and internal deliveries are "out", with correspondence being sent by electronic mail via ISDN. This saves time and money, and draws the Munich City Administration much closer to the community it serves.

Example of synergy in freight logistics

## Bonn: Billion DM high-tech package for Deutsche Bundespost.

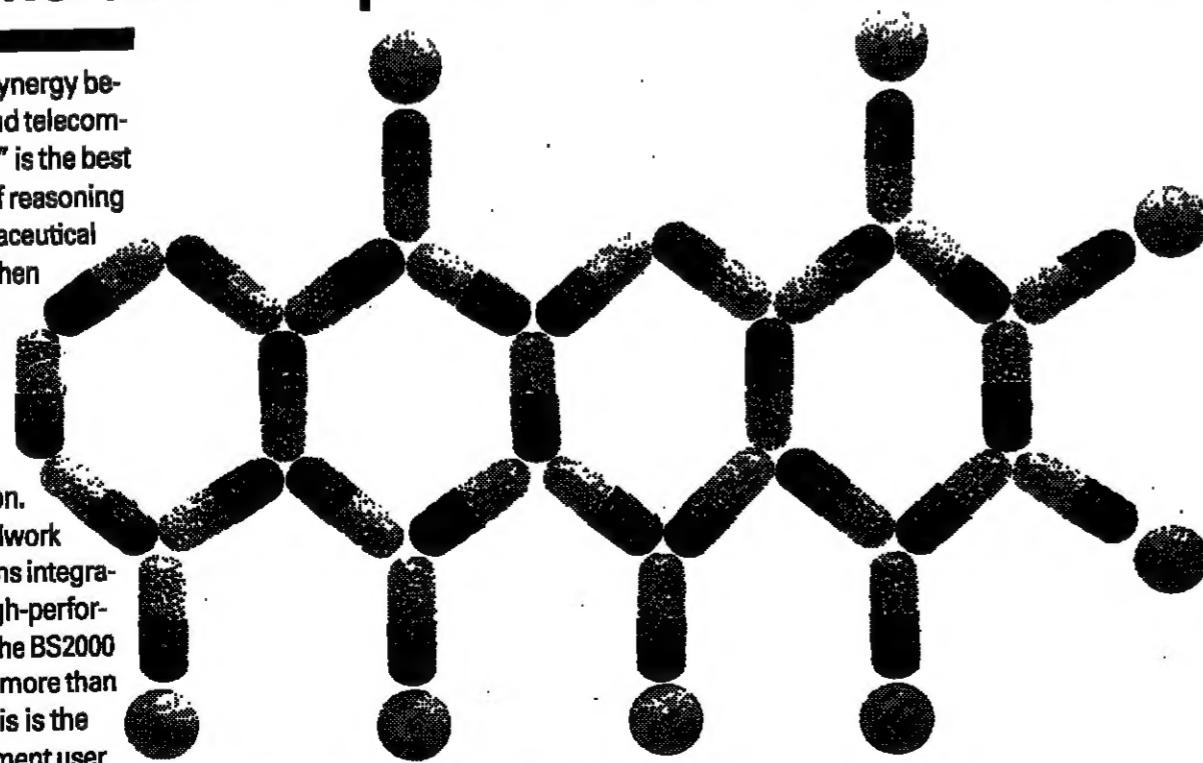


With 33 new parcel post centres throughout Germany, Deutsche Bundespost has adopted a forward-looking concept for freight movement: parcel delivery within 24 hours is to become the standard. The Automation Division of Siemens AG is the main contractor for all the operational management technology at the parcel post centres. Under a 1.2 billion DM high-tech package, Siemens AG will provide the sorting and distribution systems and the automation technology, calling on Siemens Nixdorf for computer technology. The extent of this project can be seen at the first parcel post centre at Hagen-Fley. A Siemens Nixdorf MX300 coding host computer with specially developed software and connected PC coding workstations is used to ensure correct distribution of the parcels. Each parcel is marked with a barcode bearing all the information on its destination and route. A barcode reader connected to a Siemens SIMATIC control system reads

Example of synergy in pharmaceuticals

## Ulm: "ICCS" Merckle-ratiopharm's new success formula.

When you're dealing with the synergy between data communications and telecommunications, "Synergy at work" is the best prescription. This was the line of reasoning followed by the German pharmaceutical company Merckle-ratiopharm when it commissioned Siemens and Siemens Nixdorf. The company wanted a completely new network infrastructure to optimise the flow of management, production and logistics information. Siemens Nixdorf did the groundwork - as main contractor and systems integrator. The company installed a high-performance H90 host running under the BS2000 operating system and linked to more than 300 workstations. Added to this is the R/2 modular business management user software from SAP AG, Siemens Nixdorf's partner - with modules ranging from financial accounting to material control. The first joint project with Siemens was warehouse control. For this operation, Siemens' MOLAX modular stores management system was installed on Siemens Nixdorf SINIX open systems computers. Integrated with R/2, MOLAX gives Merckle-ratiopharm rapid goods distribution and control for the 30,000 pallet spaces available. To link the most



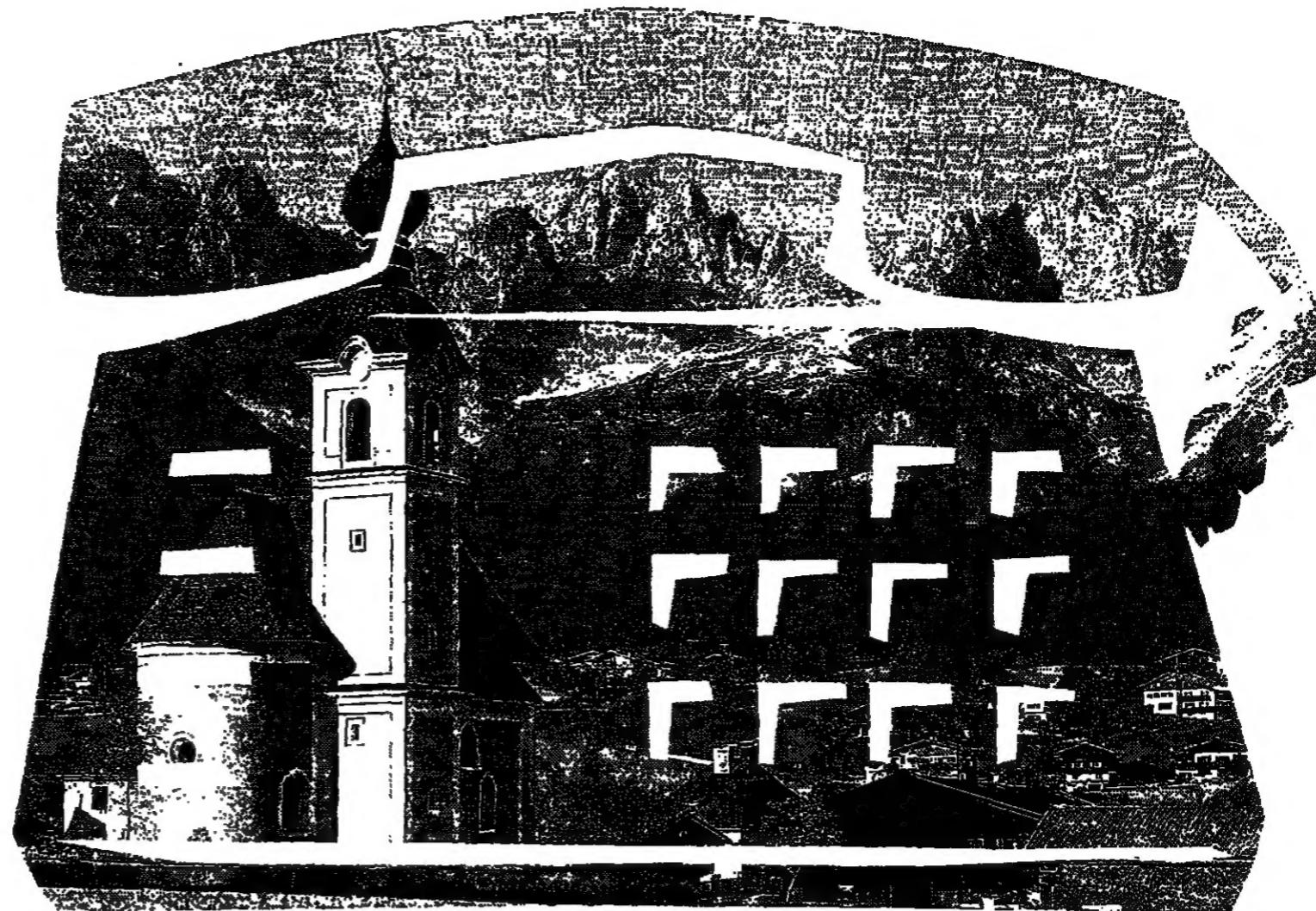
modern telecommunications technology into the data network, Siemens AG installed a comprehensive network: the "Integrated Communications Cabling System" (ICCS), which operates over open industry and standard interfaces, integrating available installations and reducing cable quantity to a minimum. The result is that all the firm's factories can easily communicate with each other, computer to computer or telephone to computer. All via a single communications port.

Job 111111

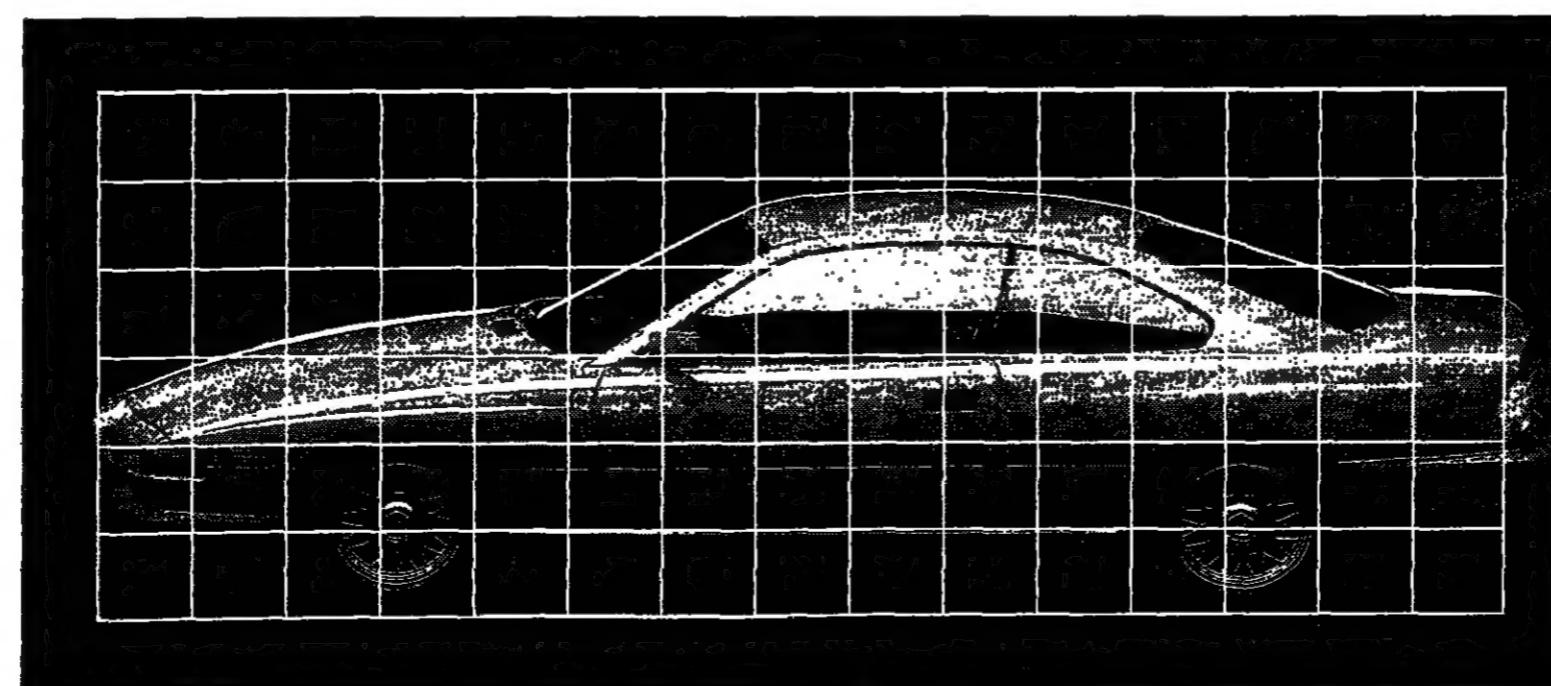
Horsham town plan system.

Example of synergy in public administration  
**Horsham District Council bases town planning on a geo-information system.**

Horsham is located just 40 kilometres from London and has to cope with the challenges of being a successful and growing town close to a metropolis. To deal with the constantly changing needs in housing and business re-developments, Horsham District Council has implemented one of the UK's most ambitious local government IT projects. In the first phase of the project Siemens Plessey worked closely with the Council and carried out a detailed employee survey that defined information "workflow" throughout the organisation. From this information Siemens Plessey created a corporate data model (CDM), which was used to develop a blueprint for the efficient running of the Council and to inform future IT implementations. In the second phase of the project Siemens Nixdorf used the CDM information to advise its installation of an advanced geo-information system in the Council's planning department. SICAD was implemented on a mainframe as well as on four UNIX® and three PC workstations. Around 700 Ordnance Survey maps for the Horsham region were fed into the system. A further 300 sets of maps on statutory building restriction building records were also added. SICAD will soon also be accessible on an existing property, geographical and historical databank, and via a registration system. With this databank, Horsham's council personnel can respond quickly and in detail to enquiries on building approvals, for example when they deal with environmental, legal or historical enquiries. For this, SICAD data will be retrieved via networked computers and assembled in the appropriate format. The information is then transmitted back and forth between the appropriate departments - without the need to struggle through a jungle of papers and maps, or having to spend hours searching through archive material. According to Martin Pearson, Horsham's Chief Executive Officer and prime initiator of the IT project: "With Siemens Nixdorf's geo-information system, we have access to a huge volume of information of benefit to all sectors of the community."



Example of synergy in the automobile industry  
**Munich: "Synergy at work" running in top gear at BMW Customer Service.**



Ever safer, ever more efficient, ever closer to perfection - but as sophisticated as today's automobile technology may be, its maintenance is placing ever greater demands on mechanics and their equipment. For example, for accurate diagnosis of faults within the complex control systems of BMWs, the standard workshop equipment has been inadequate to the task. So the Bavarian car manufacturer has ordered "Synergy at work", combining Siemens'

latest automation systems and Siemens Nixdorf's information technology for servicing the latest automobile technology. TESTER, the diagnostics system from Siemens, immediately pinpoints problem areas on the vehicle. TIS, Siemens Nixdorf's technical information system, provides efficient back-up for maintenance and service. As an electronic workshop manual using CD-ROM, TIS not only reduces the flood of paper to a minimum; it also provides BMW service technicians with all the information they need -

from details on the right tool for a particular job to a complete guide to repairs and installation. Both systems are combined in a comprehensive dealer information package with other Siemens Nixdorf components, such as the electronic parts catalogue and business management programs for processing orders and for job planning. "Synergy at work" is running in top gear at BMW, providing a highly organised and efficient customer service.

## Example of synergy in telecommunications

**Vienna: Austrian Post opts for the direct line between Siemens and Siemens Nixdorf.**

Digital telephone operation from Siemens - service, management and maintenance from Siemens Nixdorf: for the Austrian Post Office and Telegraph Administration (ÖPTV) this is the ideal combination to bring a new level of efficiency into telecommunications. The OES-E digital telephone network for most of Austria has been controlled by Siemens' EWSD system since 1985. Siemens Nixdorf now brings extra performance to its operational management. BS2000 computers with the TED subscriber and customer care database, and an extra processor for operation and maintenance of the EWSD system, are the heart of the newly established,

multi-functional operations offices. Connected to that are the workplaces and the telecommunications installations at the operations offices. Siemens EWSD systems in the exchanges, plus data connections to the ÖPTV computer centre. The synergy effect is demonstrated by employees in the operations offices being able to receive notification of faults in the telephone network via the Siemens Nixdorf and Siemens system connection, and to process them directly. The line operation, for example, can be checked from the BS2000 computer at the touch of a few keys. All the telephone subscribers can be managed via the data base. If, for example, a new connection is requested,

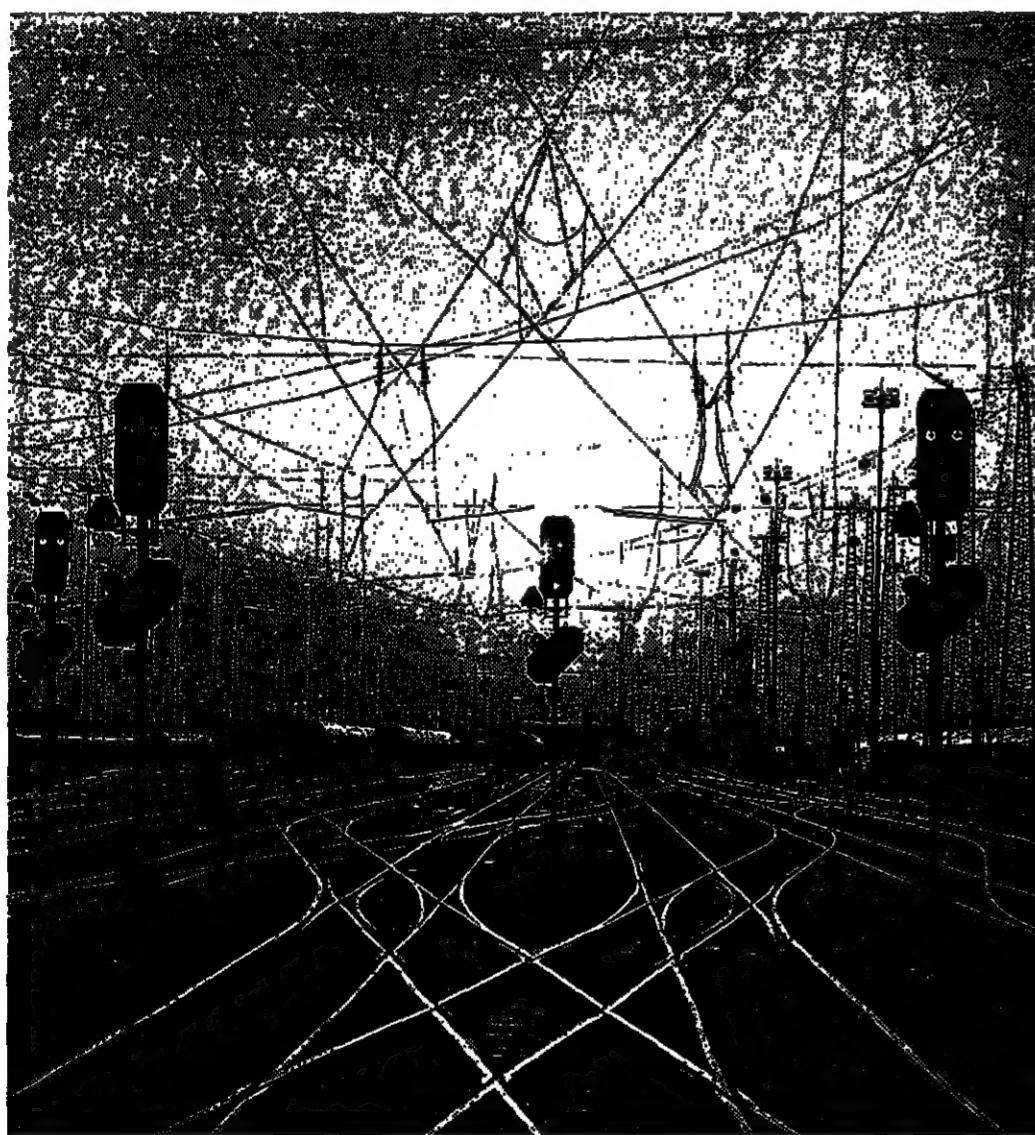
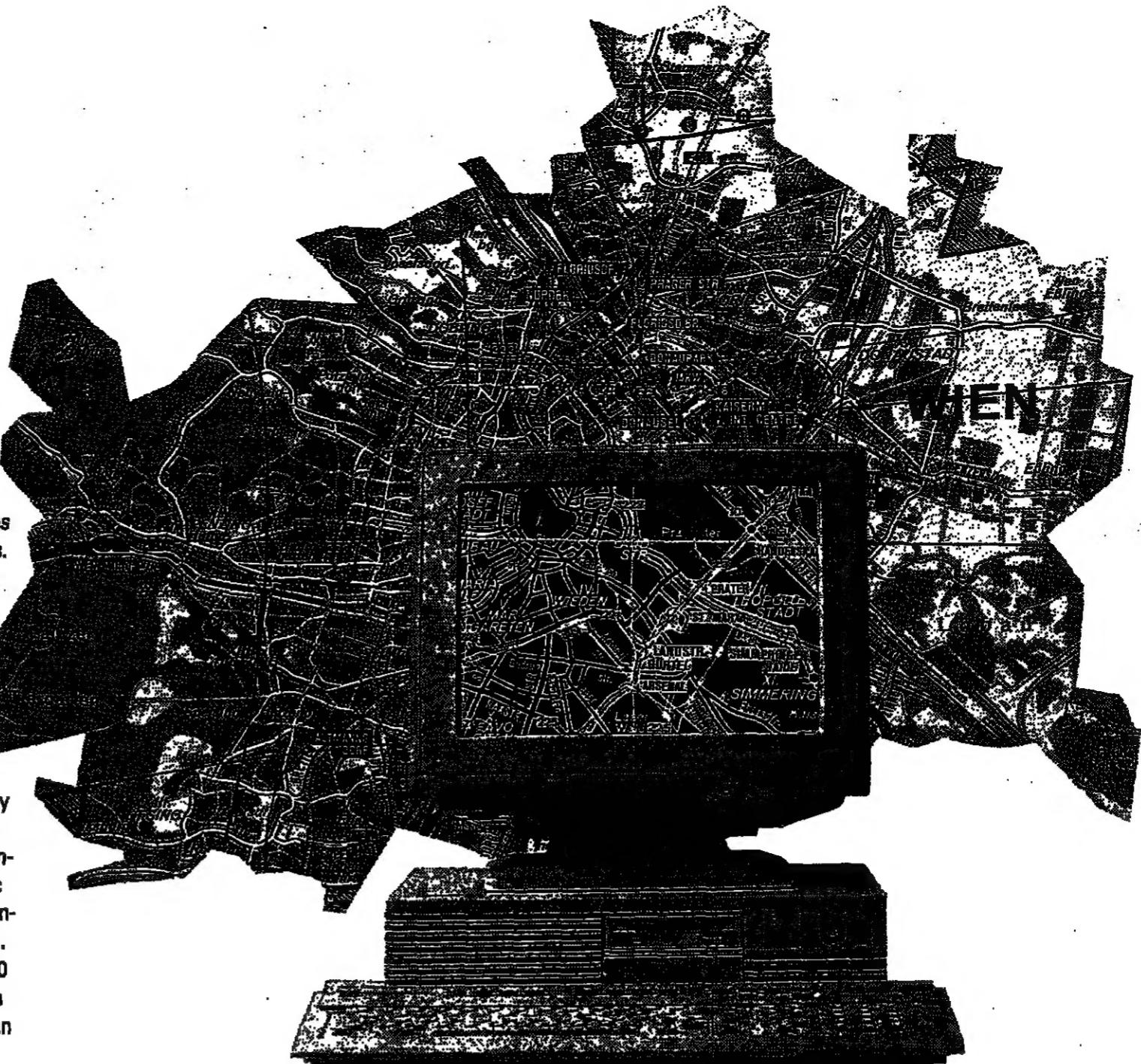
# 10 SIEMENS NIXDORF

Example of synergy in police operations

## Vienna: Better informed and faster on the spot, using Pfeil2000.

In traffic accidents, break-ins and robberies, every second counts, and police operations must be perfectly planned. A technical fault or incorrect information supplied to those running the operation can result in a fiasco and in extreme cases can even cost lives. So, after intensive evaluation of different systems, the Federal Ministry of the Interior ordered "Synergy at work" for the Vienna police force – to establish an integrated operations control system. The hardware and network technology for this system comes from Siemens Nixdorf, and the application comes from Siemens equipment technology. The result is Pfeil2000. The cornerstone of this solution is the Siemens Nixdorf C50-Servers, which are networked with PCs at the operations control headquarters – giving a client-server link which

monitors all communications facilities as well as reports of accidents and break-ins. Pfeil2000 knows straight away where an emergency call has come from or where an alarm button has been pressed. As a further expansion stage, a graphics system will be networked with Pfeil 2000 to aid the police in further operational planning: street maps and building plans will be displayed in a flash. All available resources will then be precisely located and depicted in three-dimensional form via an integrated system of coordinates. Pfeil2000 also records all telegraphic data – so later on the operation can be reconstructed, right down to the smallest detail. The client-server architecture of Pfeil2000 additionally guarantees maximum system availability: if one computer fails, another can immediately take over.



Example of synergy in traffic engineering

## Munich: Management system signals the way ahead for Munich North shunting yards.

Siemens and Siemens Nixdorf are looking to put German railways on the right track into the next millennium, with the introduction at Munich North shunting yards of what this forward-looking company eventually plans to implement over the entire rail network: "Computer Integrated Railroading", or the control and monitoring of rail traffic with up-to-the-minute computer technology. As part of the TS '90 transport control system, Siemens Nixdorf has assembled a powerful management system consisting of two H60 processing computers running on the BS2000 operating system, networked workplace servers and portable mini-computers for mobile data acquisition in

dialogue mode by radio. Linked with two H60 computers in the Deutsche Bundesbahn computing centre in Frankfurt, these form a powerful systems configuration for rapid and reliable cargo dispatch and freight monitoring of travelling and stationary rolling stock. Which train is arriving from where, at what time and with which wagons? When the train arrives, which wagons need to be put together to form new trains? Thanks to the latest computer technology from Siemens Nixdorf, railway dispatchers have immediate access to this information. All other aspects are managed by "Synergy at work". For completion of shunting operations, information is sent to the Siemens MSR32 process control system, which

works with an electronic interlocking unit to control and monitor the remote radio-controlled hump locomotive, clasp retarder, propelling system, signals and points. Trains are dismantled and reformed completely automatically. The automated system operating in Munich is setting the trend for the rest of Germany – and Europe. In-house operations are optimised, shunting operations are controlled effectively, and every link in the logistics information chain from consignor to consignee is covered by continuous monitoring. This means that better use can be made of rail transport capacity, moving German railways one step closer to the goal of "Computer Integrated Railroading" nationwide.



For further information, please contact:  
Siemens Nixdorf Informationssysteme AG,  
UK 41, Otto-Hahn-Ring 6, D-81739 München

**Synergy at work**

10  
SIEMENS  
NIXDORF

Theatre/Malcolm Rutherford

# Sunset Boulevard

Given the imminent closure of *City of Angels*, which I described as the wittiest musical I have seen, I shall try to be exceptionally careful about any adjectives applied to *Sunset Boulevard*, the new show by Sir Andrew Lloyd Webber.

Certainly "witty" is not a word that comes to mind. The nearest it comes to a mordant joke is "it's fun to see how bad bad writing can be." There is also a rather good line about it taking tiles to tango. But perhaps the absence of wise-cracking, double meanings and sly asides is part of its charm. Possibly *City of Angels* failed to be appreciated in London because it seemed too clever by half, trying to combine a script with a musical.

There is no such distraction in *Sunset Boulevard*, which is odd in a way because it comes from a similar Los Angeles set-up. The piece is based on Billy Wilder's 1950 movie and there is plenty of pain in the background. Firmly in the foreground, however, is a sentimental show with some of the stunning Lloyd Webber staging to which we have become accustomed over the years.

In Patti LuPone, there is also a star. Ms LuPone played Evita on Broadway in what has always seemed to me Lloyd Webber's best work. As the faded movie idol, she is no less glittering now. It must be deliberate: the show does not effectively get under way until she appears, which is 20 minutes into the first act. Then *Sunset Boulevard* takes off.

There is something else about Ms LuPone's first entry. She starts to sing almost without having bothered to talk: not just one song, but two. That is when you think what a clever

composer Lloyd Webber is the master of the slow build-up. The sound of a growingly confident orchestra fills the house and you are persuaded that the piece can never look back.

The illusion lasts through the interval and into the start of the second act. As the curtain goes up again, the writer Joe Gillis launches with great panache into the song which has the same name as the show. It looks as if he has come to terms with living off the riches of Ms LuPone's Norma Desmond and is at home in her palatial house and (no doubt) palatial bed.

Yet illusion it is. There is another, younger, poorer girl who also writes scripts. Joe falls for her and she for him. It is not the sentimentality that one objects to. After all, why not? It is the fact that *Sunset Boulevard* then begins to lose its power. All the momentum that has been built up starts to ebb away. The plot, never the strongest point, becomes ridiculous. It is a curious dramatic failing that the girl, having been invited to the great house, should depart with a line as banal as "I can't look at you any more, Joe." She leaves an extraordinary sense of anti-climax.

Again, there is the strange business of Ms LuPone's protective butler. Quite late on he claims to be her first husband and first director. Is it true? Does Norma Desmond remember her or has she simply forgotten as she dreams of returning to stardom? Nothing of this is explained; nothing is developed.

True, there are great set-pieces still to come, not least the finale, though even that is prefaced by the rather feeble shooting of Joe by Ms LuPone as he walks down her stairs. Still, she gets her last great moment. When the media arrive to cover the killing, the

butler tells her that the cameramen have come to film her for a new movie. And, of course, she believes it: "This is my life. Just a camera and all you wonderful people out there in the dark."

The sets, designed by John Napier, are as ambitious as you would expect in a Lloyd Webber spectacular, so much so that the production was postponed for two weeks because the machinery failed to work. Ms LuPone wears some wonderful costumes, the work of Anthony Powell, though the variety of gear worn by the extras does not make for great visual harmony in the chorus scenes. This can be distracting from the music.

One song, in particular, stands out and passes the hummable test. "The Perfect Year" is composed to go along side "Auld Lang Syne" on New Year's Eve, and at one stage cleverly does what I admire about it is that it looks forward not back, even when the grounds for hope are slim. The words are simple, but touching.

I also admired Kevin Anderson's performance as Joe, very casual at first, very straight and therefore a hard part to play. Yet the trouble with a role like this is that it does not lead anywhere. He is just a decent guy who is not even allowed a dying word. It is a great pity that Noel Coward wrote the song "Mad About the Boy" some years ago. *Sunset Boulevard* quotes it several times, and it would have fitted very well, for that largely is what the piece is about.

Daniel Benzali sings very well as the butler, and he, too, has played in Lloyd Webber before. But it is too strange, phantasmic a part to be convincing. Trevor Nunn directs.

Adelphi Theatre (071) 344 0055



Astar Mar

Television/Christopher Dunkley

# Why success is all a question of pitch

While radio is an excellent medium for broadcasting music, television has always had problems: the sound has to be accompanied by something in the way of pictures, and most programme makers clearly feel that they should provide "added value". This notion has reached its logical extreme in the pop video where the pictures are often more interesting than the music and these days, frequently dominate the experience. On Saturday in *Pictures At An Exhibition: Concerto For Paintbrush And Orchestra* BBC2 came up with a sort of orchestral video. While the orchestra played the Mussorgsky, artist Norman Perryman painted on glass plates which the camera showed us either straight on the television screen or projected onto a tall screen behind the orchestra.

Such ideas are not new. Decades ago a documentary about Picasso's technique was made by setting up cameras behind glass screens upon which the artist worked. Moreover the type of image created by Perryman reminded you of the light shows accompanying rock concerts in the 1960s where oil, water, paint and dyes were mixed and squeezed, sometimes between small glass plates, and then projected on giant screens. The effects were particularly pleasing, it is said, for anyone who happened to be enjoying hallucinogenic substances at the time. My own memories, admittedly somewhat hazy, suggest that the effects at a Doorn concert at the ICA and at a *Time Out* concert at - could it have been? - Alexandra Palace were far more dramatic and gorgeous than anything we saw on television on Saturday.

In any case the idea of Perryman "interpreting" the music through paint and working to the rhythms of

the orchestra was irritating. It brought to mind a passage from *Howard's End*: "What is the good of the arts if they're interchangeable? What is the good of the ear if it tells you the same as the eye? Helen's one aim is to translate tunes into the language of painting and pictures into the language of music. It's very ingenious, and she says several pretty things in the process, but what's gained I'd like to know?" What indeed?

Much more entertaining was *Discovering Beethoven*, also screened by BBC2, which consisted of a lecture about the fifth symphony with musi-

*The Reithian notion of aiming programmes slightly above the audience has been turned upside down*

cal illustrations followed by a performance of the entire work. The success of the venture stemmed almost entirely from the personality of Michael Tissons Thomas who conducted the orchestra and choir (why a choir for the fifth? - well, he showed us how it might have sounded had the composer given us a choral section at the ninth) and delivered the lecture. This was cleverly pitched so that it neither insulted anyone's intelligence nor demanded such musical expertise as to put people off. It took us from Gregorian chant to Beethoven via Mendelssohn with remarkable ease and lucidity. Tissons Thomas has that trick of conveying learning without supercilious didacticism which was such a winning characteristic for Kenneth Clark and Jacob Bronowski.

Of course in 1993 many broadcast-

ers view that sort of expertise with deep suspicion. The Reithian notion of aiming programmes slightly above the heads of your expected audience has been turned upside down: now broadcasters are competing to see who can aim lower. Some years ago Granada, then the most highly regarded commercial television company in the world, launched what was planned as a major series called *Music And Music*. Four or five splendid documentaries were completed, with extensive foreign footage and lots of expensive archive research. But what has happened to the rest of the series? Today it is not programme quality which gets Granada's name in the newspapers but its predatory activities in the stock market.

The magazine *Time Out* is, of course, the most fashionable and flourishing of London's "what's on" magazines. Launched in the 1980s, it has stayed at the centre of successive social trends and now toes the sort of politically correct line which avoids publication of sexually stimulating photographs unless they appeal to homosexuals. This month it can a feature about female comedians which neatly encapsulates the received wisdom on this topic: fewer (or to use their word, less) female than male comedians appear on television and on the London club circuit because of prejudice against women. "Almost anybody, no matter how liberated, reacts differently to a woman trying to be funny. There's this arms folded 'show us what you can do' type attitude."

Just as it is repeatedly asserted of television in general that "you have to be twice as good to get on if you're a woman" so "women have to work much harder to get an audience's trust" and "it's just not seen as attractive for women to be funny;

people see it as ugly and unladylike... The industry is discriminating and under-serves a rich seam of female talent... it's important to ask why so few females feel able to make it in comedy". Never at any stage does anybody see there simply are not very many talented female comedians around, yet all the evidence suggests that this is the only reason for the disparity between.

When you think of the dramatic inequality between men and women in other activities (orchestral composition, philosophy, chess,

*'Almost anybody, no matter how liberated, reacts differently to a woman trying to be funny'*

physics, cartooning) this scarcely seems surprising. And when you remember the global success achieved as much as 40 years ago by a woman who did prove her talent - Lucille Ball - you feel obliged to ask what happened to the prejudice in her case? There is such pressure in broadcasting these days to discriminate in favour of women that, far from needing to be twice as good to get a chance, you only need to be half as good as a comparably inexperienced man. But while broadcasters may desperately kid themselves that the talent is there so that a new one-woman series is justified (Emma Thompson, Tracey Ullman and Josie Lawrence come to mind) they cannot force the public to share their blindest. The idea that this is misogynistic prejudice on the

part of viewers rather than the ability to discriminate would be more convincing if Victoria Wood, French and Saunders, Ruby Wax and Sandi Toksvig had not been so successful.

Nor can you accuse these successful women of abandoning their sex and buying acceptance by becoming quasi men (an argument used about leading female comics in the Victorian music hall). Since giving birth Ruby Wax has specialised in detailed and discursive, not to say lurid, sequences about childbirth, and the funniest routine in *Victoria Wood: Sold Out* on Saturday was her account of buying a pregnancy testing kit and attempting to use it in a public lavatory.

To more strait-laced viewers that may sound distasteful, but it is as pure as the driven snow compared to the material used by somebody such as Jo Brand in television's late night alternative comedy slots. Note the way Brand deliberately emphasises her natural unattractiveness in her dress, hairstyle and facial expressions; listen to her man-hating diatribes, wonder to yourself what would happen to a man who delivered a line as nasty as her threat to sit on men's faces at certain times, and it is not hard to see why no one offers her a prime time slot. If you point to the violent contempt for all men expressed in the work of so many of these female comics and suggest that this may have something to do with their unpopularity they narrow their eyes and hiss remarks about "centuries of mother-in-law jokes" as though joking about a notoriously difficult relationship was justification for spitting out a stream of hatred against half the human race. It is difficult to imagine a nastier prejudice than that of these female comics against all those who happen to be of a different sex.

Kirov Opera, which gives performances of *Don Carlo* and *Princ Igor*. Ends Aug 31 (Festival International de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

## ORANGE

This year's opera in the open-air Théâtre Antique are *La traviata* (July 17 and 20) with Kathleen Cassello, Roberto Alagna and Paolo Coni, and *Otello* (Aug 7) with Vladimir Atlantov, Alan Aldridge and Nino Raitio (9034)

## SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots.

The line-up over the coming week includes Borodin Quartet at Hesedorf, Schleswig and Wotersen, the Festival Orchestra conducted by Semyon Bychkov at Flensburg, Apenrade and Fizehoe, and Margaret Price song recitals at Kiel and Wotersen. Other visitors later in the festival include Anne Sophie Mutter, Shura Cherkassky and James Galway. Ends Aug 22 (0431-567080)

## SANTANDER

Highlights of this year's festival (Aug 16-Sept 2) include Pier Luigi Pizzi's *Monte Carlo* production of *La traviata*, St Petersburg Philharmonic with Temirkanov, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen and church concerts featuring the Hilliard Ensemble and others (Oulicence Musical, Teatro Victoria Eugenia, Reina Regente s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

## SANTANDER

The festival opens on July 31 with a concert by the Philharmonia Orchestra. Other visitors include Anne Sophie Mutter, the Scala Orchestra with Muti, and a bevy of Russian artists - the St

Petersburg Philharmonic and Bolshoy Opera Orchestra, the St Petersburg State Ballet and the

## HEIDELBERG

This year's open-air festival performances at Heidelberg Castle

begin on July 28 and include

staging of Haydn's *L'isola*

disabato and Cav and Pag. Ends

Aug 31 (Konzerthaus, 4, D-6900

Heidelberg. Tel 06221-583521)

# Spoletto - without music

The spoken theatre - the "prose" theatre, as Italians call it, even when the dramas are in verse - has always been a part of Gian Carlo Menotti's Festival of *Two Worlds*, though its position has been ambiguous. Some years, drama occupied a major role, and new plays by Tennessee Williams or by Italian writers like Giuseppe Patroni Griffi have been presented in Spoleto's houses. In other years, music and, often, ballet have played the major roles, while one or two plays were given, dutifully, almost as filler.

For some years a regular, highly popular feature at Spoleto has been the season of the marionettes of the Carlo Colla and sons, a company that has delighted generations of Milanese children (and adults) for about a century and a half. Menotti, one of those children, on hearing a few years ago that the Collas were losing their home, helped rescue the troupe, along with the incomparable patrimony of original sets, costumes, texts, scores, and - of course - marionettes, and festival audiences have enjoyed a series of revivals, including the grand spectacle *Excalibur* which, with

William Weaver is entertained by Mame, Williams and Dario Fo

human actors and dancers, was a triumph at La Scala in the 1980's. This year, in the now-deconsecrated church of Santa Maria della Piaggia, which has been made into a theatre for them, the Collas presented a lesser, but charming piece, *Dalla terra alla luna*, with a moon-walk (or rather moon-dance, with wedding that made NASA look cheap).

Another recent and fascinating intrusion of the spoken word at the festival is the series of interviews, under the rubric *Testimoni del tempo* (Witnesses of our Time), conducted by the critic and journalist Elena Doni, who has the gift of being understated without fawning and informed without showing off. This year her series of guests included Arthur Schlesinger, who attracted a capacity crowd to the intimate *Sala Frau*, a perfect setting. There, relaxed and urbane, he answered Doni's questions - as well as those of the audience - with pointed wit, evident concern, and profound knowledge. For some Italians, it was a revelation to see this multi-faceted mind at work; and it was clear why so many leaders, Kennedy at their head, listened to the speaker with attention.

Nowadays, every event at Spoleto sells out; and on weekends the town is jammed. And yet, it remains unspoiled. Or rather, it improves, from the festival-goer's point of view; as a new hotel, like the elegant Palazzo Dragoni, or a fine new restaurant like the Apollinaire, make a stay in the Umbrian jewel still closer to perfection. Only the audiences are sometimes a trial. Since Spoleto has become "in," the visitors eager to be seen and, if possible, to spot some celebrity, shamelessly talk through performances (one even read his newspaper during a lovely chamber concert), leave before the end. But this is the price Spoleto pays for its success.

## ARTS GUIDE

Monday: Performing arts guide city by city.

Tuesday: Performing arts guide city by city.

Wednesday: Festivals Guide.

Thursday: Festivals Guide.

Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0830

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

## AIX-EN-PROVENCE

This year's festival, just opened, has a diverse trio of operas. Weber's *Der Freischütz* is conducted by Jeffrey Tate with a cast led by Thomas Moser, Andreas Schmidt and Karen Huffstodt. Handel's magnificent *Orlando* brings together William Christie's Les Arts Florissants and a staging by Robert Carsen, with a cast led by Felicity Palmer and Lynne Dawson. Don Giovanni is revived from last year, with a cast including William Shimell and John Mark Ainsley. Among the concerts are Bach's B minor Mass conducted by Frans Brüggen (tonight in the Cathedral) and Campra's *L'Europe galante* July 28 in the Archbishop's Palace (Theatre). Recitals include Andreas Schmidt, Gundula Janowitz, Lella Cubieri and Nathalie Stutzmann. Ends July 28 (4217 3434)

## AVIGNON

Molière's

## Edward Mortimer



# No bite without teeth

## Europe needs its own troops and the will to commit them

of the telescope: the privileged centre, looking out. This week I was invited to a cosy little get-together in Paris, organised by the Konsul Adenauer Stiftung, one of those well-endowed 'foundations' associated with German political parties (in this case Chancellor Helmut Kohl's own CDU).

Only six countries were represented: the Big Three of the European Community (Germany, France, the UK) and the Hopeful Three of central Europe (Czech Republic, Hungary, Poland) - the latter being countries which have made a convincing transition to democracy, are well on the way to becoming market economies, and are directly contiguous either to the existing EC or (in the case of Hungary) to the EC as it should be after Austria joins in about 1995.

We were there to talk about "integrating the states of central and eastern Europe into western structures". But the structures discussed were mainly those concerned with security, rather than the EC as such. The key note speaker was Karl Lamers, the CDU/Christian Social Union spokesman on such matters, who proposed that the "Visegrad countries" (the Hopeful Three plus Slovakia) should be admitted to the Western European Union, as a step on the way to full membership of both the EC and Nato.

Everyone appreciated Mr Lamers's good intentions, but this specific proposal did not arouse much enthusiasm. WEU is prized by some for its strength and seriousness on paper, but despised by others for its weakness and frivolity on the ground.

At present it has only 10 full members, all of whom also belong to both the EC and the Atlantic alliance, and are bound by treaty to come to each other's assistance if attacked - a stronger commitment than that which binds Nato members, whose treaty leaves each member to decide for itself how to respond if one of the others is attacked. At Maastricht, WEU was formally designated as both the "Euro-

### When it comes to military hardware and organisation, WEU is a pale shadow of Nato

mand through which forces belonging to the same group of countries are controlled.

Both Nato and WEU have sought to involve central and east European countries in their activities, realising that if they did not contribute to the integration of those countries with the west they would appear completely irrelevant to Europe's post-cold war security problems. But neither has yet been able to satisfy the main demands of those countries, which are for full integration and security guarantees.

Nato has set up NACC (pronounced Nack-Cee), the North Atlantic Co-operation Council, which has done some useful work but is devoured in the eyes of central Europeans by the fact that it includes a lot of remote ex-Soviet republics, in whose security Nato clearly has at most a marginal interest. (Some are already up to

their necks in warfare.) WEU has avoided that mistake, confining its attention to countries it sees as eventual candidates for EC membership: the Visegrad four plus Bulgaria, Romania and the three Baltic states. But short of full membership, with the explicit security guarantees that that would bring, it has little of practical value to offer.

Central Europeans have looked carefully at western security structures. They have no doubt that for the foreseeable future Nato is the one worth dealing with, and if possible sticking to. "Consequently," said a Czech speaker in Paris this week, "we do not agree with some west European countries which try to seek in WEU an alternative to the Atlantic alliance."

That dig was aimed not at Mr Lamers, who genuinely sees WEU as binding the EC and Nato closer together, but at the French - who, even while claiming to want a continued US presence in Europe, constantly warn that it is not to be counted on, and stress WEU's link to the EC while playing down its link to Nato.

Yet within the west that argument has cooled down a lot in the last year. France, of course, remains outside Nato's integrated military command. But the Germans did succeed in brokering an agreement on the circumstances in which the Franco-German "Eurocorps" would be available for Nato service, and neither in London nor in Washington is it any longer seen as a dire threat to the alliance.

At the same time the US's firm refusal, despite European pleas, to put troops on the ground in Bosnia to back the Vance-Owen plan has given some substance to the French argument. Clearly there are contingencies where Europe will need a capacity to do something military, but where the US, without being strongly opposed, will not feel its own interests sufficiently engaged to be willing to commit troops.

Enter, presumably, WEU. But brandishing those three magic letters will not help unless Europe itself has the troops needed and is willing to commit them. And that will not be the case unless Germany can overcome its political and constitutional inhibitions about deploying troops in a peace-enforcement role.

Mr Lamers, the ball is in your court. (Some are already up to

the chief executive of the Training and Enterprise Council looked pensive as she listened to a succession of government ministers last week spelling out what they expected Tecs to deliver.

It was a long list: what part, for example, could Tec play in improving educational standards? How should they transform the skills of the workforce, or help companies to improve their competitiveness?

"We have only existed for three years and we are getting better all the time," said Mrs Olivia Grant, chief executive of TyneSide Tec. "It is not that we are not eager and willing to do more - but it is a hell of a task they are asking of us."

The event was the third annual conference, in Birmingham, of the 62 Tecs in England and Wales. It was attended by more than a thousand Tec directors and a drove of ministers. Mr John Major, the prime minister, then in Tokyo, sent a video message.

Tecs were set up in 1991 as the government's main response to mounting anxiety about the UK's industrial competitiveness and the inadequate skills of its workforce. They represent the government's most radical experiment in public-private partnership. Funding for the Tecs, whose boards are dominated by senior business executives, will be £23m this year.

Their brief at inception was to run government programmes for the unemployed more efficiently (any efficiency savings can be used to reinvest in local projects), and to become involved in their local economies. They would assess and address local skills needs and set priorities for economic development with other agencies such as local authorities.

The idea was to help bolster the wider economy by tackling skills and enterprise issues at local level.

That was the mission. Government league tables, to be released next week, will show that a growing number of Tecs are having a small, but significant impact on what have long been seen as deep structural problems in the British education and training systems. The tables will show that Tecs - albeit with widely differing performances - are getting better at placing young people in training schemes, where they are gaining better qualifications than in the past; they are equipping more unemployed adults with vocational qualifications; and they are encouraging more companies to train

# Good try, but could do better

Can Tecs shift their strategy from skills training to economic regeneration, asks Lisa Wood

workers to match their business needs.

But there have been frustrations for the Tecs. The government, their main customer, concerned at rising unemployment, has forced them to concentrate most of their efforts on improving the basic main training programmes for young people and the adult unemployed. This meant they were unable to tackle effectively the broader part of the brief - promoting enterprise.

But last week at the Tec conference the government reaffirmed its original mandate to Tec - much to their delight. Mr David Hunt, the new employment secretary, made it explicit that he wanted them to live up to all of their name.

"I want the enterprise objectives of Tecs to come to the fore," said Mr Hunt, who has told his civil servants that the employment department is an economic - as distinct from a social welfare - department.

The Tec should do this by building on what they had already achieved in local enterprise projects and skills training.

For the past 18 months or so there has been a mounting campaign among the 1,000-odd Tec directors about their enterprise role - that part of the brief that persuaded business leaders such as Sir Alastair Morton, chairman of Eurotunnel, to join Tec boards.

Their argument is simple: it is no good concentrating on training unemployed people for jobs when there are so few jobs to go round. Thus the balance of the Tec's work should logically shift from training to enterprise: this would embrace initiatives from promoting inward investment to setting up soft loans for companies.

The Tec are aware this part of their brief will be tough.

"Enterprise is a difficult word," said Mr Edward Roberts, chairman of G10, the group of Tec chairmen which represents common Tec concerns to the government.

"It means lots of different things, from supporting busi-

spective partners that being involved with us is worth while."

Mr Michael Hanson, chief executive of South Thames Tec, said: "If you took everything that was said at the conference by both the government and Tec, you would think we were the salvation of the nation."

Mr Hanson points to the Tec's new "one-stop shop" as one of their most successful business advice projects. The brainchild of Mr Michael Heseltine, the secretary of state for trade and industry, these pull together under one roof a wide spectrum of business aid agencies, including Tecs, chambers of commerce and local enterprise agencies.

However, Mr Hanson says the Tec's record of promoting enterprise and economic development is patchy. A big problem, according to Mr Bennett, senior lecturer in geography at the London School of Economics, is to be published this autumn.

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As Britain emerges from recession, the urgency and scale of the task still facing the Tecs and government is underlined by a recent study by the International Institute of Management Development of the extent to which education and training in 22 developed countries was meeting the needs of a competitive economy: the UK ranked 20th.

last week they wanted the balance of funding to be reviewed, and they presented him with a list of demands to promote enterprise, including tax relief for companies pursuing best training practice, and more flexibility in their own budgets to plug skills gaps and encourage local employment.

Funding is critical to their progress, but Tec are showing they are able to work as effective local catalysts. They have the remit to bring organisations together, and to identify areas where they can best make a contribution. Examples of Tecs working along these lines include:

• Lincolnshire Tec, which is working in partnership with its county and district councils on inward investment. They have jointly set up a free-phone service for inquiries from potential investors. The Tec can also offer investors training tailored to their needs.

• Northumberland Tec identified a need for low-cost loans to local business. It helped set up a new venture capital arrangements with local banks.

• Leeds Tec identified a need for more cost-effective training among local printing companies. The Tec brought together a group of companies and contributed to the cost of training equipment to be used jointly. Such collaboration is rare among competing companies. Mr Hunt believes that is "just the sort of catalyst Tecs can be".

But does it add up to a strategy?

Mr Richard Guy, chief executive of South and East Cheshire Tec, said: "Each Tec has a different local plan but generally they are around the broad themes of helping individual businesses to start up and grow, improve their skills base and promote inward investment along with other partners."

"That is set down as a local strategy. But, if you added them all together, that adds up to an industrial strategy."

But Tec need the government's help to turn that into a national strategy, engaging all its departments in a common cause.

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## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution.

### An adequate retirement income for all

From Mr Frank Field MP.

Str, Your editorial ("Private pensions", July 13) suggests one solution to the cost of funding state pensions is to let them "gradually wither on the vine". That is what is happening. By the middle of the next century, the value of the state retirement pension will have shrunk to a mere 8 per cent of average earnings.

It is this dark fact, combined with a current £25m bill for providing inadequate pensions, which was the starting point for the Fabian pamphlet entitled *Private Pensions for All*, which Matthew Owen and I

wrote and submitted as evidence to Labour's Social Justice Commission.

Our proposals do not envisage - as you have reported - the scrapping of the state pension. The aim is to gain a mix of public and private pensions so that everyone gains two pensions and thereby an adequate retirement income. Our assumption here is that there is a limit to what individuals want to pay in tax. The proposals therefore combine tax, compulsory contributions from employers and employees, while leaving open the opportunity for people to make additional voluntary contributions.

Each and every one of us will have a right to own our own pension fund assets.

We hope the Social Justice Commission will poll voters on what they think of this plan. While any new idea is open to misinterpretation, Labour's aim must be to have an agenda to which the government is forced to react, and which voters will enthusiastically endorse at the next election.

Frank Field.

House of Commons,

London SW1A 0AA

### Oxleas Wood victory is not an isolated case

From Mr John Stewart.

Sir, Your editorial ("Private pensions", July 13) suggests one solution to the cost of funding state pensions is to let them "gradually wither on the vine". That is what is happening. By the middle of the next century, the value of the state retirement pension will have shrunk to a mere 8 per cent of average earnings.

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Frank Field.

House of Commons,

London SW1A 0AA

### Costly move over border

From Mr Charles Harvey.

Sir, There is a touch of Monty Python in the fact that in this day of instant electronic money transfer and an alleged "common market" that Visa International can make your headlines with "Visa plans small payments cross-border service" (July 12) for small companies and individuals. Is not the cheap, simple transfer of funds around Europe a pre-requisite of a Single European Market? Why have not our Brussels bureaucrats made this, rather than standards for false eyelashes, the priority?

I have just tried to pay into Barclays a cheque for £13.33 drawn on a French bank. I was told there would be an initial handling charge of 2%, then a £2 charge for the interest (tusury) while the cheque was being handled, and a further £2 for a "correspondence" charge, a total of £12. Net receipts £1.33. The sooner we have a common currency the better for all of us, except the banks.

Charles Harvey,  
St Kayford,

From, Somerset BA11 5JT

other modes of transport. The Oxleas Wood victory will have given it added momentum, placing other roads schemes long cherished by the transport department in real danger.

Moreover, there is a growing transport and environmental movement which is calling for a switch of road-building resources to investment in

the extensive country park, the stunning gardens and grounds and the museums (including a motor museum).

At both places he could have enjoyed a cup of tea and a meal. He could have bought a souvenir and at Sandringham the children could have tried the adventure playground.

What more does he want? E F Grove,  
Chapel Cottage,  
West Newton,  
Kings Lynn,  
Norfolk PE31 6AU

Objectivity in radio jamming

From Y Kovach.

Sir, Your editorial on Bosnia ("Strong words, weak action", July 9) ends on a James Bond type of note by referring to a mystery ship "that was broadcasting objective news to all the ex-Yugoslav republics from offshore in the Adriatic".

It ceased operations "because of a Serbian complaint to the International Broadcasting Union".

You urge the nations that are enforcing sanctions in the

Adriatic to render all necessary assistance to enable the ship to resume operations.

I can only conclude that the Serbo-Croat programmes of the BBC World Service and of the Voice of America, which incidentally are not subject to jamming, are deemed by you to fall short of objectivity.

Donald S Jackson,  
assistant director,  
Matheson Investment  
Management,

Jardine House,

6 Crutched Friars,

London EC3N 5HT

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday July 14 1993

## The value of clean water

PURER DRINKING water, cleaner rivers and less polluted beaches have clear attractions. But what is the price of delivering them?

Too high according to Mr Ian Byatt, director-general of Ofwat, the economic regulator of Britain's water industry. Meeting European Community environmental commitments agreed by the government since the industry was privatised in 1988 will lead to an extra £1.5bn a year in capital investment over the next five years, on top of the £2.5bn currently being spent. Additional commitments under discussion could increase the cost by a further £1bn a year.

For the average customer, the full programme would mean an extra £54 a year on bills between 1995 and the end of the century.

Customers would not be prepared to put up with such increases, thinks Mr Byatt. The government should therefore renegotiate EC directives on sewage treatment and drinking water quality.

Mr Byatt's argument has been challenged by the National Rivers Authority, the industry's environmental regulator. It says Britain's water charges are low by comparison with the rest of Europe, bills would not need to rise by as much as Ofwat suggests because of the scope for efficiency improvements and customers would be willing to pay for better standards.

It is difficult to know for certain how much customers would be prepared to pay for higher quality in an industry where they have no opportunity to shop around. But the bulk of the evidence suggests

that too much attention has been paid to standards and not enough to costs. Customer surveys show that in most parts of the country there is limited willingness to pay much more for additional improvements. Moreover, a raft of complaints to Ofwat and politicians about the cost of current bills suggests there would be stiff resistance to higher charges.

Not is there much evidence that better standards would improve public health. Mr Byatt argues that the new sewage measures would mean that a town with a population of 10,000 produced the pollution equivalent to 27 pigs, while the drinking water provisions would result in pollution equivalent to one aspirin in an Olympic-size swimming pool.

Pointing out that these are EC standards to which Britain is already committed, as the NRA does, is not a sufficient counter-argument. The huge sums involved mean this is a sufficiently important issue for EC governments to re-think the regulations. Moreover, given the current stress on subsidiarity, this surely is an example of regulation which should be dealt with at the national level.

Mr Byatt yesterday asked the government to make its mind up whether it wants higher standards or higher prices. This puts ministers in a tight corner. If standards are relaxed, they will lambasted by the green lobby; if they are maintained, customers may complain. Ofwat has made an impressive case. It demands a political response.

## Saving Somalia

AT THE heart of Somalia's deepening crisis is the fact that the United Nations, and in particular the US, have not faced up to the implications of their military intervention. The humanitarian imperative that prompted it remains compelling for Somalia but manifestly cannot save itself. To withdraw now would be to compound a tragedy: it would mean abandoning a country in terminal distress while undermining the credibility of UN interventions elsewhere. But for the UN to continue in its present role, neither peacekeeper nor peacemaker, also invites disaster.

The sequence of events that led to the murder of four journalists by the Mogadishu mob shows how serious the crisis has become. It began when UN forces attacked what was to be a command centre of General Mohamed Farah Aideed, the fugitive warlord whose militia have killed 35 UN soldiers over the past month. The UN said the raid had been successful, and that 16 people had died. Aideed's Somali National Alliance claimed that 74 died, and that victims included elders of Aideed's clan. In the fury that followed, mobs turned on reporters once praised for bringing Somalia's plight to the attention of the world.

Similarly, the warmth with which US marines were greeted last December has turned to a resentment so deep that many aid agencies which welcomed the UN as a protector now see association with the troops as positively dan-

gerous. Key military partners, notably Italy, are questioning the merits of the exercise.

One tragedy begets another. The UN force is in danger of getting caught up in the very chain of retaliation and revenge that has destroyed Somalia. Military intervention that sought primarily to provide security for food convoys appears to have become an end in itself, but the UN operation was never going to be enough in a country shattered by civil war.

Intervention should have included at the outset a comprehensive programme to disarm rival factions, using all the necessary force and offering the contestants the eventual choice of integration into a national army, or training in civilian skills. There should have been a long-term programme of economic reconstruction and constitutional negotiations drawing on the widest range of Somali leaders.

A new initiative by the UN is now desperately needed. This should involve, at the very least, greater clarity on the part of the Security Council as to its operating procedures has never been lower. The international community expects the World Bank to help

Russia and the other former eastern bloc countries create functioning market economies; help South Africa transform its apartheid economy; and continue helping borrower countries alleviate poverty, and improve the efficiency and sustainability of their economies and the efficacy of their governance.

Recent developments suggest that the bank cannot meet these demands unless it undergoes structural reform. An internal study found that the bank is plagued by a "pervasive preoccupation with new lending" that can distort loan appraisals. Both staff and borrowers view loan appraisal as a promotional exercise aimed at the directors who must approve all loans.

Loan administration is also deficient. The study found borrower

compliance with the financial covenants in loan agreements to be "startlingly low". The bank's failure to enforce these covenants suggests both parties view them as "suggestions", not binding commitments.

The bank's experience with the gigantic Sardar Sarovar dam project in India provides a graphic illustration of the consequences of these problems. The bank-appointed independent review panel found that the bank's failure to follow its own operating rules contributed to the problems associated with the dam's human and environmental impact.

The bank's management is aware of these problems, and the board has just begun reviewing proposals for improving the supervision of the bank's operations.

One proposal the directors should be encouraged to adopt is to appoint an ombudsman. Such an ombudsman should have a mandate to:

• Investigate all "qualifying" complaints about the bank's implementation of its own operating rules and procedures. A qualifying complaint is one made about ongoing bank operations by any person directly affected by bank activities.

The complaint must be accompa-



Veba, the energy-based conglomerate, just under 40 per cent at Commerzbank, and over 20 per cent at BASF, the chemicals company.

With Germany's public sector borrowing requirement likely to stay high for several years, the implications for corporate and financial Germany are clear. "Whenever they look for capital, German companies will face strong competition from the US," said Mr Thomas Mayer, senior economist at the Frankfurt office of investment bank Goldman Sachs. "This will drive up the cost of borrowing money and force companies to look abroad for capital."

One important development is that companies are stepping up their marketing efforts to attract foreign investors. They are more willing to provide the kind of "investor relations" services common in the US and the UK - such as "roadshows", where senior managers visit investors and promote the benefits of owning their shares.

Ms Corinna Arnold, senior ana-

lyst at Investor Responsibility Research Centre, a US organisation which advises American institutions on corporate governance issues, said: "There is a greater understanding of what US investors and analysts are trying to do. German companies are helpful in providing information now."

The importance of the international investment community is underlined by foreigners' large stakes in big companies: nearly 40 per cent at Siemens, the electronics group, more than 40 per cent at Deutsche Bank, nearly a third at

investors' requirements for openness in business dealings, and to show that it was ready to play by international rules. Daimler announced in early April it would wind up Mercedes Holding (MAH), a holding company which owns a 25 per cent stake in Daimler, because it served no purpose other than to block takeover bids. Daimler intends to convert MAH shares into ordinary Daimler shares for two reasons: first, the shareholding structure means MAH would interfere with plans for a DM2bn-DM3bn Daimler rights issue next year; and second, because of the perception that US investors would find the anti-takeover device an affront to their notions of fair play.

MAH was propelled into the lime-

light when Mr Steinkühler of IG Metall, a former member of the Daimler-Benz supervisory board, bought nearly DM1m worth of shares in the company, most of them just before it was revealed that MAH would be dissolved. The announcement led to a substantial rise in MAH's share price, leading to the suspicion that Mr Steinkühler had made his investment on the basis of insider information.

Mr Steinkühler denied this, but resigned anyway, in the face of criticism from Germany's financial establishment as well as international investors. Mr Tom Holmes, head of research at Schröder Münchmeyer Hengst, a bank majority-owned by Lloyds Bank of the UK, said: "The suspicion alone that he was insider dealing degrades the quality of Germany's financial markets."

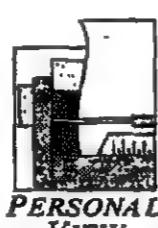
While the Steinkühler affair heightened awareness that the rules needed to be changed, his dealings also served to "revive foreigners' perceptions that the German market is an insiders' market", said Mr David Hale, chief economist at Chicago-based Kemper Financial Services Group.

Deutsche Bank and other large German institutions are striving to allay this perception by bringing their internal compliance regimes up to international standards. The emphasis has been on stopping practices such as "front-running" - whereby traders would buy shares on their account before buying shares for clients. This would be classified as a form of insider dealing in the UK or the US.

Foreign investors nevertheless remain concerned about an "insider culture" within German capitalism: foreigners will always be at an "information disadvantage" compared with German banks and insurance companies. Domestic institutions still own the bulk of shares in quoted German companies and have access to detailed information about companies' performance via their seats on German supervisory boards. One consequence of Daimler-Benz's New York listing is that foreign investors will receive more details about the group's financial performance.

Change will be slow. But the inevitability of Germany's increasing capital needs over the next decade will mean further change is inevitable. "If you want equity capital," said Mr Bartold von Ribbentrop, former head of securities sales and trading at Deutsche Bank, "the biggest suppliers are English and American pension funds. If you want this equity, you have to adjust to their way of thinking. You have to swallow your pride and present yourself differently."

## Why World Bank needs an ombudsman



## PERSONAL VIEW

The need for an effective World Bank has never been greater, and confidence in its operating procedures has never been lower. The international community expects the World Bank to help

Russia and the other former eastern bloc countries create functioning market economies; help South Africa transform its apartheid economy; and continue helping borrower countries alleviate poverty, and improve the efficiency and sustainability of their economies and the efficacy of their governance.

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The bank's management is aware of these problems, and the board has just begun reviewing proposals for improving the supervision of the bank's operations.

One proposal the directors should be encouraged to adopt is to appoint an ombudsman. Such an ombudsman should have a mandate to:

• Investigate all "qualifying" complaints about the bank's implementation of its own operating rules and procedures. A qualifying complaint is one made about ongoing bank operations by any person directly affected by bank activities.

The complaint must be accompa-

led by some supporting evidence.

• Respond to the complainant and, if appropriate, make non-binding recommendations to the board within a reasonable period after receiving the complaint.

• Publish a publicly available annual report discussing the complaints received, the investigations conducted, and the final dispositions of the complaints.

## A study found borrower compliance with the financial covenants to be 'startlingly low'

The ombudsman, who would be appointed by and report directly to the executive directors, would be independent of the bank staff; should not be drawn from the bank staff; and would be granted a fixed term, non-renewable appointment and control of his/her own budget.

The ombudsman would have the authority to initiate investigations, compel bank staff to produce documents, submit to investigations and

participate in public hearings.

An ombudsman's function is to monitor the administration of public institutions and prevent administrative injustice. A World Bank ombudsman would:

• protect the bank's executive directors and staff from having to deal with complaints lacking merit;

• provide the board and, through its annual reports, the international community with empirical information, that is presently unavailable, on the developmental and human impact of bank operations.

In short, an independent World Bank ombudsman whose findings are public would significantly enhance public confidence in the bank's ability to perform its responsibilities and the credibility of the advice it gives to its member countries. It would also set a precedent for other international organisations entrusted with the management of public resources.

Daniel D Bradlow

The author is associate professor of law at the American University, Washington DC

## OBSERVER



Paris far greater leverage in determining the EMI appointment. France desperately wants the top job at the EMI because it would signal that the German

stranglehold on European monetary policy exerted by the Bundesbank was at last being broken. It would also be a consolation prize in the light of the expected location of the putative European Central Bank in Germany, either in Bonn or Frankfurt.

It is all gossip at the moment but it perhaps explains the behaviour at Monday's Ecofin meeting where only the Germans showed much enthusiasm for the candidacy of de Larosière. The Belgians and Italians, who had been expected to support him, were surprisingly mute. Meanwhile, Lord Lawson is emerging as a wild card candidate for the EBRD post.

Britain's ex-chancellor of the exchequer is widely believed to covet the job - but regards it as infra dig to apply. If he is told he is certain to get it, then he will be but not otherwise.

EC officials in Brussels say

France's real aim is to secure the top job at the European Monetary Institute, the precursor of the independent European Central Bank which under the Maastricht treaty will oversee a single European currency.

Thus the de Larosière candidacy serves a dual purpose: to preserve France's original claim to the EBRD seat which, if denied, would give

old employer, British Airways. A couple of years ago, they could have been sitting at the same table.

Yesterday they hardly seemed to be on speaking terms.

## Rothschild's reserve

As usual, the annual report of merchant bank N.M. Rothschild raises as many questions as it answers. One teaser is why the remuneration of the bank's chairman, Sir Evelyn de Rothschild, should fall from £252,000 to £242,000, when disclosed profits rose to a record £14.5m, well over double the previous year's £6m?

The answer, according to a nervous Rothschild retainer, is that around half of that was not profit in the commonly accepted sense. Rothschild's Guernsey offshore sold its stake in an investment trust and the gross proceeds - not just the capital gain - were included. Also, for some obscure reason, Sir Evelyn had received an exceptionally large bonus the previous year.

The report explains how the bank complies with the Cadbury recommendations "to the extent that these are appropriate to a private company". But of course.

## Out to grass

How do you turn an old rake into a lawnmower? Marry him.

## Food for thought

Wise old birds attending agm's have all sorts of tips on what to look for apart from a copy of the chairman's speech. Did the great man smile, was his finance director wearing a colourful tie, or, heaven forbid, a beard? Little things count when checking a company's health.

However, one of Observer's favourite ploys is to check out the grub. Take Aegis, the media-buying company. At its agm in May 1990 it served up champagne and canapés, before serving up bumper pre-tax profits for the following year. Its 1991 agm saw a diminished but none the less inviting spread of fancy biscuits, followed by mildly disappointing profits. But by 1992 only the plainer Rich Tea were on offer and sure enough it was a horrible year for Aegis - boardroom mayhem, collapsing share price, and a pre-tax loss of £1.9m.

What then are we to make of yesterday's agm, with its ginger and marzipan-coated Battenberg cakes? Probably no more than that the company is going through a sticky patch.

## Rival exhaustion

First the good news for owners of Trabant cars who live in Budapest. In a bid to get rid of the fume-belching relics of the

## Brave face

Tough luck for Manchester that Olympic supremo Juan Antonio Samaranch should arrive in town the morning after the coldest July night since 1946. Even worse that it soon started raining. However, Manchester has learned how to turn bad news into good in its long campaign to win the games in 2000. It didn't take long for a local worthy to note that since the International Olympic Committee is really interested in seeing new world records yesterday's weather was ideal for any athlete, other than a sprinter, contemplating a record-breaking run.

Leaving aside Observer's suggestion yesterday that the wife of Jacques de Larosière, governor

of the Bank of France, may prefer her jet-setting husband to stay closer to home, it is gradually dawning upon other EC governments that de Larosière's candidacy may in fact be an elaborate bluff.

EC officials in Brussels say

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## Manufacturing output up 1.8 per cent in May, biggest rise in four years UK expansion exceeds forecasts

By Emma Tucker, Alison Smith  
and Peter John in London

BRITAIN'S manufacturing output rose 1.8 per cent in May, the sharpest monthly increase for four years, and almost 10 times stronger than market expectations. The figure pointed to stronger than expected economic expansion in the second quarter.

The rise was fuelled by buoyant car, computer and metals production, but Central Statistical Office warned that the timing of a public holiday had possibly inflated the monthly figure.

The underlying trend, however, held firm. In the latest three months output grew by 2.1 per cent, to stand 3 per cent up on the same period a year ago.

The news sent the pound sharply higher against both the D-Mark and the dollar. Sterling closed 1½ pence higher at DM2.700 and rose 1½ cents to end the day at \$1.435.

Other financial markets were



shift of opinion over prospects for the UK economy.

The figures are likely to strengthen the hopes of Mr Kenneth Clarke, chancellor of the exchequer, that a robust recovery will reduce the need for tax increases to tackle the budget deficit. Mr John Major, prime minister, said the figures were "clearly very good news indeed. But it is only one of a large number of signs that the economy is recovering. Retail sales are up, car registrations are up, confidence is up and unemployment is down."

Yesterday's figures provided much-needed cheer for Conservative MPs, still divided over the Maastricht treaty and faced with carrying through unpopular policies such as the imposition of value added tax on domestic fuel.

The CSO said the growth in manufacturing output was evenly spread across industry. All sectors, other than food, drink and tobacco, increased output in the second quarter of 1993.

put in the latest three months.

Total industrial production, which includes energy and water supply, rose 2 per cent month-on-month and was up 6.4 per cent in the latest three months. The weak three-monthly growth rate was dragged down by a drop in energy production, mainly because of maintenance work at North Sea oil installations and a sharp drop in coal output following the start of new lower volume contracts between British Coal and the major electricity generating companies.

The rise in manufacturing output was only the second consecutive monthly increase, but it lifted the index out of the very narrow range in which it has been moving since the beginning of the year.

The CSO said output in May was 4.5 per cent below its peak in the second quarter of 1990 and 3.75 per cent higher than what is now taken to be the trough, in the fourth quarter of 1991.

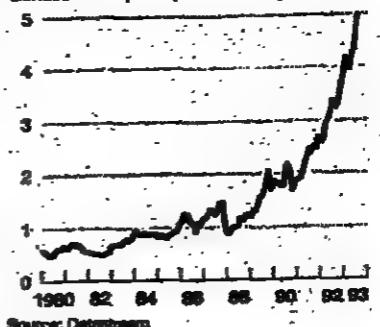
### THE LEX COLUMN

## Roche's patent cure

FT-SE Index: 2837.1 (+6.2)

Roche

General share price (SFY'000)



against litigation suggests it regards such tussles as a permanent feature of the airline business.

### UK water sector

Yesterday's missive from Ofwat on the cost of water quality sheds little light on the direction of next year's regulatory review. True, the 7 per cent real return on capital for water companies assumed in Ofwat's sums would be encouraging if carried through to the review. But Mr Ian Byatt, the regulator, may not be as generous in practice. By recommending that the government postpones the implementation of some water standards, he is trying to pass the problem of rapidly rising water charges back to the politicians. As he also believes that standards are too tight, the assumption in his report of a generous rate of return – and hence larger price rises – suits his purpose well.

Whether Mr Byatt can squeeze a decision from government on standards, and thus capital expenditure for water companies, before the review is also open to doubt. Without a political decision, Ofwat might feel obliged to assume tough standards and high capital expenditure in setting price limits for the second half of the decade. That could result in a cautious settlement, broadly favourable for shareholders. The more likely outcome, though, is that price limits will be altered as spending obligations become clear. A stable framework of medium-term regulation looks a distant prospect.

Even if the government comes down in favour of less onerous standards and lower capital expenditure, there is no guarantee water companies will be less geared or less likely to make rights issues. That turns on the return on capital which Mr Byatt finally sets on in his review.

### British Airways

Sir Colin Marshall must have breathed a large sigh of relief yesterday as he successfully anticipated and defused criticisms of BA's management at its annual meeting. Small shareholders were more inclined to discuss the merits of Concorde and the imperfections of Concorde and the badness of transiting furry animals by air than unravelling the mysteries of the Virgin affair. Large institutions have never been much interested in the matter. BA therefore looks as though it has survived the storm. The appointment of more non-executive directors, including the no-nonsense chief executive of Ince & Co, Mr Charles Mackay, helps reassurance.

But there are still unanswered questions. Publicly, Virgin says it is determined to pursue its legal case. That may result in BA directors appearing in court, throwing up more bad publicity. Moreover, Virgin has opened another front by complaining that BA has breached EC anti-trust rules. Shareholders may dismiss these issues as rather tiresome but they are unlikely to go away. The £22m general provision BA continues to carry

## Commerzbank wins case against UK tax authority

By Richard Lapper in London

contested a UK tax assessment in 1990. But the Inland Revenue refused to repay interest that would have been earned on the wrongly assessed payments on the grounds that the company operated through a branch office and was not resident in the UK.

Mr Kon said the judgment created "considerable scope for dealing with discriminatory provisions of this nature both in the UK and other EC domestic law and a good deal of litigation may well follow."

He pointed to other tax reliefs in UK law which are not available to non-residents, including relief on low earnings for corporation tax for small companies and relief on interest deducted on payments to non-resident lenders. Mr Kon added that similar

anomalies arise in "legislation in other EC countries all of which will now be subject to challenge".

The Inland Revenue said that it would write to companies which it believed would be affected by the decision and make the necessary repayments.

The European Court ruling said: "Articles 52 and 58 of the Treaty of Rome prevent the legislation of a member state from granting repayment supplement on overpaid tax to companies which are resident for tax purposes in that state while refusing the supplement to companies resident for tax purposes in another member state. The fact that the latter would not have been exempt from tax if they had been resident in that state is of no relevance in that regard."

## Abu Dhabi charges 13 over BCCI

By Richard Donkin in London

THIRTEEN former officials of the Bank of Credit and Commerce International have been charged in Abu Dhabi two years after the bank was closed following an alleged multi-billion-pound fraud. The charges, announced yesterday, mean that Mr Sualib Naqvi, the former chief executive officer of the bank, could face a 36-year jail sentence if convicted on all counts.

Mr Naqvi was among a number of senior officers in Abu Dhabi engaged on restructuring the bank at the time of its worldwide closure, initiated by the Bank of England, in July 1991. For nearly two years they have been held in police custody in the emirate.

Charges have also been made against Mr Arif Hasan Abedi, the bank's founder, and Mr Zafar Iqbal, another former chief executive of the bank. However, Mr Abedi, now living in Pakistan, may never be brought to trial as there is no extradition treaty between the two countries.

The prosecution has been launched against 10 of the 13 officers who have been in detention. The other three have been released on bail. Mr Abedi is among three others who have been charged in addition to those detained.

The formal charges, which include forgery and falsification of company documents, are the culmination of an investigation in Abu Dhabi that has been running for almost two years. Most of the BCCI officers have been held at the Abu Dhabi Police Club since their arrest in September 1991.

The Abu Dhabi majority shareholders of BCCI said that the investigators had wanted to prepare a thorough case before mounting the prosecution.

## Troops ignore UN orders

Continued from Page 1

killed four journalists in revenge. The Organisation of African Unity, saying it was "disturbed at the continued loss of life" in Somalia, called yesterday for a review of the UN operation and said the world body should resume dialogue with people there.

In New York a spokesman for Mr Boutros Ghali said an international conference would be for the security council to decide.

On Monday UN officials rejected a proposal by Mr Fabio Pubbri, Italy's defence minister, that combat operations be suspended in a bid to reduce tension in the former Italian colony. This led yesterday to calls from the opposition in parliament to withdraw the Italian contingent from Somalia.

## Germany cuts spending

Continued from Page 1

age, the government expects an extra DM65bn in revenues from increased fuel taxes, supposed to finance the first steps of reforming the German railways and assuming their accumulated debt burden.

Another direct burden on German taxpayers will be an increase of almost 2 percentage points in pensions contributions, which will rise from 17.4 to 19.2 per cent of gross income.

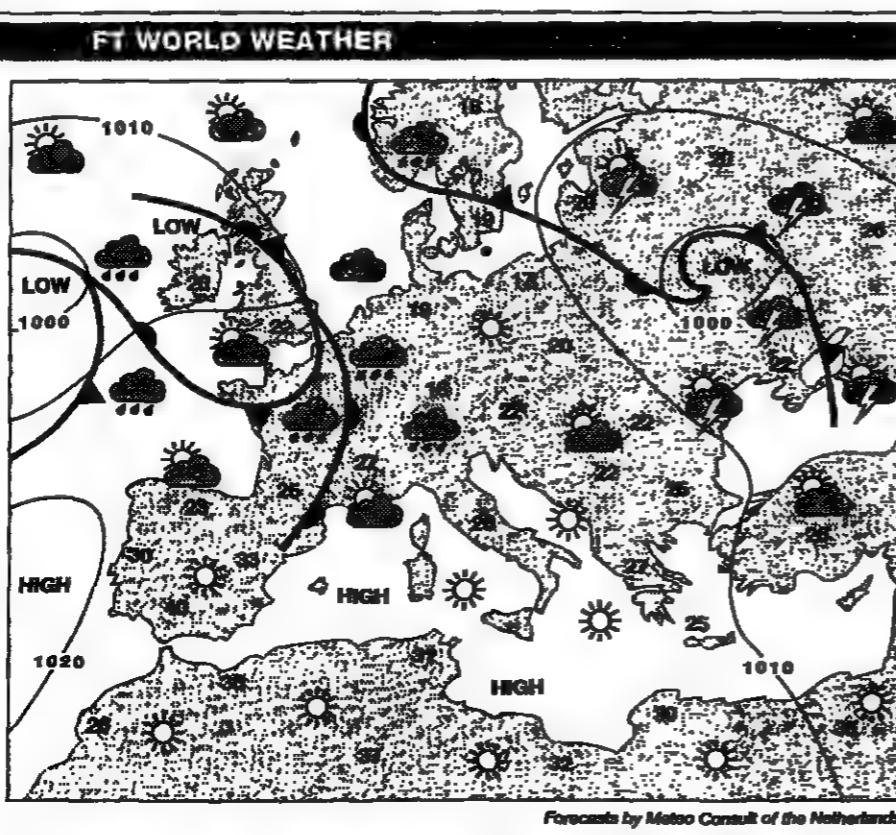
Mr Oskar Lafontaine, deputy leader and economy spokesman of the SPD, warned that the cuts would aggravate the current recession by squeezing consumer spending and imposing the greatest burden on the poorest.

Mr Helmut Wleczorek, the party's budget spokesman, warned that in spite of the cuts, overall public sector debt would increase to almost DM1.700bn by 1997.

thanks largely to borrowing to finance German unification. Interest payments on the public debt would have increased from DM36bn in 1990 to around DM177bn in 1997, he said.

The medium-term plan shows the federal budget deficit remaining at the present level of more than DM67bn – or almost 15 per cent of the budget – until 1995, before the spending squeeze and economic recovery bring it back to 10 per cent of spending by 1996 and under 8 per cent in 1997.

Mr Weigel said that the only alternative to the sharp cuts in social benefits would have been to increase the level of borrowing or to increase taxation. The former would mean that there would be no room for manoeuvre for the Bundesbank to cut its interest rates further, whereas a further increase in taxation would counteract any hopes of economic recovery.



### Europe today

Frontal systems associated with a complex low west of Ireland will cause rain from time to time in the UK and the Low Countries. Periods of rain will also occur in northern parts of France and in south-western Germany. In Spain and Portugal, it will continue to be very warm and sunny with temperatures rising to near 40C in parts of the south. In Italy, Greece and the Balkans, it will also be mainly sunny and warm. A frontal system over the south of Scandinavia will continue to cause widespread cloudiness and some rain. Temperatures will rise to 18C-21C. There will be a few sunny intervals in northern areas. In the west of Russia, a low pressure area will cause heavy rain along with some thundery showers.

### Five-day forecast

Until the weekend, it will continue to be unsettled in the northwestern and central parts of Europe. Mostly cloudy skies will prevail with rain or thundery showers from time to time. Temperatures will rise to 20C-25C.

In Scandinavia, it will become a bit warmer with sunny intervals. However, in the eastern regions some showers will linger. In the area from Portugal to Greece, sunny and warm conditions will persist. Temperatures will mostly range from 26C-35C.

### TODAY'S TEMPERATURES

Maximum	Minimum	Bern	Bermuda	Clear	Chicago	Fair	27	Faro	Sun	31	Rangoon	Cloudy	31
Abu Dhabi	sun	38	Birmingham	cloudy	20	Cologne	fair	27	Frankfurt	cloudy	18	Malta	sun
Accra	cloudy	32	Copenhagen	cloudy	18	Geneva	shower	28	Glasgow	rain	28	Marseille	cloudy
Algiers	sun	32	D' Salazar	fair	28	Hamburg	rain	28	Helsinki	fair	18	Medina City	shower
Amsterdam	rain	17	Bordeaux	rain	25	Dallas	fair	30	Hong Kong	cloudy	31	Milan	fair
Athens	sun	28	Brussels	rain	17	Darwin	fair	30	Honolulu	cloudy	31	Montreal	cloudy
Bangkok	rain	33	Budapest	fair	22	Delhi	cloudy	30	Iceland	fair	31	Montevideo	cloudy
Barcelona	sun	28	Brussels	sun	41	Dallas	fair	30	Jersey	rain	17	Munich	rain
Beijing	rain	32	Budapest	sun	23	Dublin	cloudy	29	Karachi	fair	35	Nairobi	rain
Belfast	rain	20	Capo Town	fair	18	Dubrovnik	rain	28	Khartoum	fair	48	Naples	rain
Belgrade	fair	21	Caracas	cloudy	31	Edinburgh	rain	15	Kuala Lumpur	cloudy	22	Nezu	fair

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COMPANIES & MARKETS

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Wednesday July 14 1993

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INSIDE

**FNAC forges a French future**

GMF, the French insurance company, has granted Crédit Lyonnais and Générale des Eaux an option to buy a 54.78 per cent stake in FNAC, the French retail group. Page 16

**Amro's kinda town**

The Netherlands' largest bank, ABN Amro plays a prominent role in the state of Illinois. Its savings and deposits there will be \$2bn after the planned \$500m acquisition of Cragin Federal, a Chicago savings bank. Page 16

**Japan calls to Nokia**

Nokia, the second largest maker of mobile phones, is to get a foothold in the Japanese market. In August it establishes a joint marketing venture with Mitsui & Co, the Japanese trading house. Page 17

**News Corp's 50% of Mushroom**

Mr Rupert Murdoch's Australian media group, News Corporation, is expanding its recorded music business with the purchase of a 50 per cent stake in Mushroom Records, Australia's largest independent recording company. Page 17

**General Electric up 10%**

General Electric, the diversified US manufacturing and services group, yesterday reported a 10 per cent increase in second quarter net earnings to \$1.334bn, compared with \$1.216bn. Page 18

**Merrill Lynch's \$345m profit**

Wall Street securities house Merrill Lynch yesterday announced a 53 per cent jump in second-quarter profits to a record \$345m, on total revenues of \$3.87bn. Page 18

**Cray profits jump to £29m**

Cray Electronics Holdings, the Berkshire-based data communications and software systems group, reported full year profits sharply higher at £29.9m (£44.25m) in the year to April 30. Page 20

**Birse deficit hits £18.5m**

The building and civil engineering company Birse Group incurred a £18.5m (£27.4m) pre-tax loss during the 12 months to end-April, compared with a £12.3m loss for 1991-2. Page 22

**Coffee market heats up**

Fears of frosts sent coffee prices surging ahead in London as buyers rushed to the market fearing Brazil's crop would be affected this week. London's September futures contract rose by \$48 to a peak of \$1,018 a tonne. Page 24

**Foreigners miss Indian quota**

Nine months after India's market was opened to foreign portfolio investment, there have been many inquiries but less than \$20m of orders. It will be a long haul for overseas investors to reach their quota of holding up to 5 per cent of quoted Indian companies as they face archaic trading practices, and share prices which moved more on rumours than on facts and fundamentals. Back Page

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**Chief price changes yesterday**

FRANKFURT (DM)		Rises		
Catella Konzern	1550	+ 80	Deutsche	+ 150
Indenreis Ph	950	+ 15	Flor Pfeil	+ 225
Deutsche Subs	177.8	- 4.2	Flora	+ 35
GEHE	353	- 7	Fuchs	
Lindley-Hall	440	- 40	Cr Fox France	- 31
Rotex	555	- 17.5	Matra-Hackeb	- 12.1
New York (\$)			TOYOTEC (Thm)	- 0.8
Prices				
Bair Stamps	234	+ 4%	Flame	+ 170
Home Shopping	1451	+ 1%	Fulcrum	+ 34
Inderts	874	+ 2%	Heaviside Est	+ 37
Wells	7076	+ 2%	Kyocera	+ 203
Hilti Hotels	45	- 1%	Yonkoh Land	+ 60
Merrill Lynch	84%	- 1%	Fuchs	
PARIS (FFr)			Adi Corp	- 8
New York prices at 12.30				
LONDON (Pence)				
Rises				
Amberley	38	- 5		
Amey	155	+ 6	Cray Elec	- 64
Bair	490	+ 11	Gealt	- 12
Chloride	18	+ 14	Leomark & B	- 14
Electra House	94	+ 4	Lyles (S)	- 7
Electro	500	+ 13	Marlboro Moon	- 3
Legi & Gen	182	+ 15	Sheword Bsp	- 11
Nob Gsp	187	+ 8	Ska Platform	- 4
Shelton M	63	+ 10	Stapagro	- 5
Taylor Woodrow	104	+ 5	Univer	- 25
Telecom	205	+ 12	Utd News	- 18
Waterby (S)	734	+ 16	Wyko	- 5

**Go ahead for BAe's Taiwan deal**

By Dennis Engbarth in Taipei and Daniel Green in London

TAIWAN'S economic ministry and local banks yesterday gave a conditional go ahead to provide \$460m in low-interest loans for a joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC).

The proposal to transfer production of BAe's regional jet (RJ) airliners to the \$250m (\$378m) joint venture is fundamental to the restructuring and recovery of BAe's loss-making civil aircraft business.

BAe said the main condition made by Taiwan's government - a commitment to the joint development of new aircraft models - was already the subject of talks between the two parties.

The loans are needed to finance the production and leasing of the RJ aircraft, to be assembled in Britain and Taiwan.

Mr Yang Shih-chien, deputy minister of economic affairs, said the bank group now "has a grip on the risk factors". It is "willing in principle to co-ordinate with government policy" which is strongly in favour of the venture.

Mr Yang said the banks agreed in principle to offer TAC a minimum package of \$460m, including \$400m to help finance the launch of the leasing operation for the RJ jet and \$60m in working capital.

But the banks want BAe to provide firm commitments on several issues before granting final approval.

The "focal point" was a commitment by BAe to develop with TAC an advanced regional passenger jet (or RJ-X). The ministry and the banking group agreed that "development of the RJ-X is an indispensable part of the entire plan", Mr Yang said.

Medco represents 1,550 companies, covering 33m employees. By buying in

**IRI plans telecoms sector merger**

By Haig Simonian in Milan

IRI, Italy's biggest state holding company, yesterday revealed plans to rationalise the telecommunications sector, starting with the merger of Sip and Italcel by the end of this year.

Sip is Italy's main telecoms utility, while Italcel handles intercontinental traffic. Both companies are quoted.

The union will be the first step towards grouping Italy's public sector telecoms activities, split between seven main companies into a single concern. The new

organisation, expected to be called Telecom Italia, should be operational by 1995-96, by which time the entire sector could be largely privatised.

Pressure for rationalisation and privatisation has come from the government and IRI itself. IRI's new management, facing a cash crisis, has identified telecoms, controlled by the Stet holding company, as obvious privatisation candidates.

Last night, Stet announced it was issuing a £565m Eurobonds bond, convertible into Sip savings shares, in a further step

in the slow privatisation process. The deal could cut Stet's stake in Sip savings shares from 32 to 18 per cent.

The government has set IRI a June 30 deadline to prepare rationalisation plans. IRI intends to start by merging the main providers of services, while keeping manufacturing and mobile telecoms apart.

About 40 per cent of Sip's ordinary shares and 47 per cent of those in Italcel are floating.

Telecom Italia will subsequently absorb Telespazio and Sirm, Stet's satellite and mar-

itime communications subsidiaries. Telecom Italia will also comprise Iritel, formerly ASST, the unit responsible for domestic trunk communications and short-distance international calls.

The future of Stet's equipment manufacturing (Italtel) and network service (Sirtel) businesses is less clear. Stet has been looking for foreign investors in Italtel, in which AT&T has a 20 per cent stake. Talks with leading telecoms groups, including the US company, are under way.

The highly profitable mobile telecoms business, run by Sip, will be hived off into a separate company, in which Telecom Italia will retain a minority stake. The rest is likely to be floated. Shares in Stet have risen sharply in recent weeks ahead of bullish forecasts about tariff deregulation and restructuring.

● The Italian government hopes to float about 20 per cent of the IMI financial services group and 30-35 per cent of the big Ima state insurance company this year. Investors will be able to swap medium and long-term government bonds for shares in the two companies.

**Medco in talks with drugs groups**

By Richard Waters in New York and Paul Abrahams in London

A REALIGNMENT of drug distribution in the US, giving pharmaceuticals companies greater control over sales to their biggest buyers, could be under way following news of talks involving one of the country's largest distributors.

Medco Containment Services, a fast-growing mail order supplier, said it was in talks with several drugs companies which could lead to strategic relationships, partnerships, joint ventures or business combinations.

Medco, based in Montvale, New Jersey, supplies drugs to the employees of many large US companies, including General Motors and General Electric, under their company health plans.

It is the largest mail order company for pharmaceuticals in the US and last year controlled more than half of the \$3.8bn market.

Medco represents 1,550 companies, covering 33m employees. By buying in

bulk it claims to achieve discounts from drug companies of up to 40 per cent. Mr Wygod estimated that it would account for drug purchases worth \$7bn-\$8bn this year, 12 per cent of US drug sales.

He refused to comment on whether a tie-up with one drugs company was the most likely outcome. "We're trying to make the right types of relationships with manufacturers to help cut back healthcare bills," he said.

However, consultants questioned the strategy of pharmaceuticals companies buying their customers. "This makes little sense. If Merck acquired Medco, they would be buying only 2 per cent of the non-hospital market at a huge cost," said Mr Eran Brosky, head of Boston Consulting Group's healthcare practice.

The growth of bulk buying by Medco and other institutional purchasers has contributed to pressure on drug companies' profits, and put control of distribution into the hands of a new group which has grown up between drug makers and users.

A tie-up with a distributor would give a drug maker greater control over its sales. But Medco's relationship with its customers could suffer if it became a sales channel for the products of one company.

By Daniel Green in London

SIR COLIN MARSHALL, chairman of British Airways, yesterday denied prior knowledge of conduct by a few British Airways' employees on

## INTERNATIONAL COMPANIES AND FINANCE

## GMF offers options on controlling stake in Fnac

By John Riddings in Paris

The future of Fnac became clearer yesterday when GMF, the French insurance company said Crédit Lyonnais, the French bank, and Compagnie Générale des Eaux, the water and energy group, would be granted an option to buy a controlling stake in the French retailer.

Crédit Lyonnais and Compagnie Générale des Eaux have the option, until October 11, to acquire 54.76 per cent of the shares in Fnac at FF12.92 per share.

This values Fnac at FF1.4bn (\$444m).

Fnac's shares, which have climbed sharply from a level of about FF2.200 two weeks ago, were suspended yesterday at FF3.208.

Analysts in Paris said that

the deal was a financial transaction to provide capital for GMF, a mutual insurance company, and to maintain French ownership of Fnac. They said that the October deadline gave GMF the opportunity to find alternative sources of capital and maintain control of the group.

Fnac has been seeking fresh capital as a result of losses in a property venture in the Dutch Antilles and in its travel insurance business.

Pressure on GMF to sell part or all of its 80 per cent stake in Fnac has prompted interest from several European retailing groups, including Berthelsmann of Germany and Printemps of France.

"Fnac is a attractive asset," said Mr Anthony West, retail analyst at Enskilda Research in Paris.

Analysts in Paris said that

## Deckel Maho sees benefits in three years

By Christopher Parkes

In Frankfurt

THE first fruits of the merger of German machine tool makers Friedrich Deckel and Maho are expected in three years when the slimmed-down company should return to profit.

According to Mr Bodo Vlets, Maho chairman, a loss of DM100m (\$62.5m) is expected in the first year, and the first two years' results will be burdened by restructuring costs totalling DM240m. These will include charges for closures, removals and the cost of reducing the workforce.

However, cost savings worth DM120m a year will have a beneficial effect from 1995 onwards, according to a merger report published yesterday. The new company, to be called Deckel Maho, expects turnover in the year to June 30 1994 of between DM400m and DM500m with the workforce cut to about 1,500 people.

The move lifts its local offices by 27 to 90 and raises its savings and deposits in Illinois to \$2bn, making ABN Amro the state's second-largest retail bank after home-grown First Chicago.

The acquisition, due to take

place early next year, is the latest in a \$1.6bn series of purchases in Illinois since 1979. Earlier acquisitions have included LaSalle National, Lane Financial, Exchange Bancorp and Talman Home Federal.

Besides this local operation, the Dutch group maintains 10 ABN Amro offices in the US and Canada from which it serves top corporate customers.

It owns European American Bank on New York's Long Island.

Mr Jan Kalf, the board member responsible for ABN Amro's push into Illinois for the past nine years, says he has no designs on further acquisitions in Illinois. "We'll leave it at this for the time being," he says. "We are not looking any further in the Chicago area."

ABN Amro's \$500m acquisition of Cragin Federal, a savings bank with roots in Chicago's wealthy north-western suburbs, marks its biggest foreign acquisition in value terms.

He acknowledges that ABN

Amro has said this before, most recently after the Talman acquisition in 1992. The fact that the Dutch bank has returned once again to the familiar territory of Chicago testifies to the region's economic resilience, the fragmentation of its banking market and the prospect of achieving savings on operating costs at Cragin.

ABN Amro plans to farm out Cragin's administrative operations to a service centre run by its LaSalle group of banks near Chicago's O'Hare airport.

This, plus a cut in staff at headquarters, should help ABN Amro realise the 30 per cent reduction in costs that is regarded as a rule of thumb in US banking acquisitions.

"If that happens at Cragin, and we'll have to wait and see, that would mean savings of \$12m to \$15m," Mr Kalf says.

Another lure for ABN Amro

was the strength of the economy in and around Chicago.

The region has escaped the

deep recession that has scarred

the north-east and California.

exhibiting steady growth rather than a boom-and-bust cycle.

ABN Amro's decision in 1973 to focus on Chicago was due in part to the fierce competition among foreign banks in New York and California, and also in part to admiration for the Midwest's economy. Looking back on the LaSalle acquisition, Mr Kalf notes. "In retrospect, it was a fortunate move, not only because the bank itself was attractive but the entire region is very attractive."

Financing for Cragin is

easy to arrange as ABN

Amro will be paying one-third to one-half of the

\$500m acquisition price in dollar-denominated preferred stock issued by LaSalle, just as it did for Lane, Exchange and Talman. Dividends on these instruments are low as they are linked to US interest rates, and the dollar funding means that the parent bank does not run any currency risk.

A final reason to return to

Chicago was the sense that

regional banks such as Banc

in the first year," he says.

## Dutch bank finds a second home



ABN Amro's \$500m

acquisition of

Cragin Federal, a

Chicago-based

savings bank, will

make it Illinois'

second-largest

retail bank.

Ronald van de Krol

reports from

Amsterdam on

ABN's 14-year-old

strategy

Jan Kalf: 'We'll leave it at

this for the time being'

One and National Bank of Detroit will be stepping up their involvement in Illinois, whose splintered banking market numbers more than 1,000.

Most of the rest are small, but Cragin represented the second-largest independent savings bank after the leader, St Paul. "I wanted to be ahead of the others," Mr Kalf says.

ABN Amro's concerted expansion since the late 1970s has left it with a significant critical mass in the local market, creating important economies of scale. This is a situation which the bank would find difficult, if not impossible, to replicate in EAB's home market on Long Island, which is dominated by five or six of New York's biggest banks.

Similarly, Europe poses very different challenges. ABN Amro, which has a network of offices in each of the European Community states, is searching for local acquisitions in France, Belgium and Germany, but the power of domestic banks and the prices commanded by acquisition targets are barriers to success.

One solution may be to take a regional approach in a country such as Germany. "It could well be that you buy something in North Rhine-Westphalia or in the north around Hamburg or in the south, where we'd at least be able to create a strong local base without necessarily covering all of Germany from the very start," Mr Kalf says.

Still, any acquisition in a European state is bound to take longer to pay off financially than the most recent one in the state of Illinois. "In Europe and elsewhere in the world, it is extremely difficult to buy something which immediately contributes to results in the first year," he says.

## Sales at Roche rise 8%

By Paul Abrahams in London

ROCHE, the Swiss healthcare and chemicals group, yesterday reported sales for the first six months up 8 per cent to SF1.55bn (\$51.5bn). Excluding exchange rates, the increase was 14 per cent.

The company said the German healthcare reforms introduced in January - which have led to a 13 per cent fall in the market for the first four months - had little impact.

Turnover in Italy during the first half improved in spite of the fall in the market following reforms introduced in April. Roche said it expected sales in both Italy and Germany to increase this year.

The vitamins and fine chemicals unit lifted sales 2 per cent to SF1.59bn from SF1.56bn. Roche said the vitamins business performed well. But the division's results were held up by fine chemicals, and in par-

ticular the manufacture of one agrochemical fungicide without which sales would have been up 5 per cent.

The diagnostics division posted turnover up 8 per cent from SF1.87bn from SF1.79bn. The business profited from the introduction of PCR (polymerase chain reaction) technology for HIV and Chlamydia, which had been well received in both the US and Europe.

Sales of the fragrances and flavours division increased 4 per cent to SF1.72bn from SF1.72bn.

Fragrances suffered from poor demand from the luxury perfume sector. Flavours were not affected by the recession and continued to post increases.

Lex, Page 14

## Banco de Portugal posts first loss

By Peter Wise in Lisbon

THE Banco de Portugal lost Es1.5bn (\$531m) in 1992 as it spent heavily to shore up the escudo and mop up liquidity in the domestic money market, according to the central bank's annual report.

In the autumn of 1992, the escudo came under strong speculative pressure and the bank was forced to spend foreign currency reserves on escudos at prices above the level to which the currency fell after a 6 per cent devaluation in November.

The deal indirectly involves Gildemeister, a leading operator in the sector, which last January founded a joint distribution company with Deckel.

## UK merger activity falls to 25-year low

By Maggie Urry in London

MERGER activity in the UK fell to its lowest level in the Takeover Panel's 26-year history.

The panel's annual report said during the year to March 31 there were 88 takeover or merger proposals, down from 142 in the previous year.

The highest number in one year was 436 in 1971-72, and the annual average was 226.

The fall in the number of takeovers had enabled staff cuts to be made, said Mrs Frances Beaumont, director-general.

The panel regulates takeovers of publicly-owned companies through the application of the Takeover Code. The panel

is also consulted on cases which do not lead to published offers.

The number of such cases rose to 141 in 1992-93 from 116 in 1991-92, suggesting that companies were more likely to act in concert and give a dispensation from making a full bid for the company.

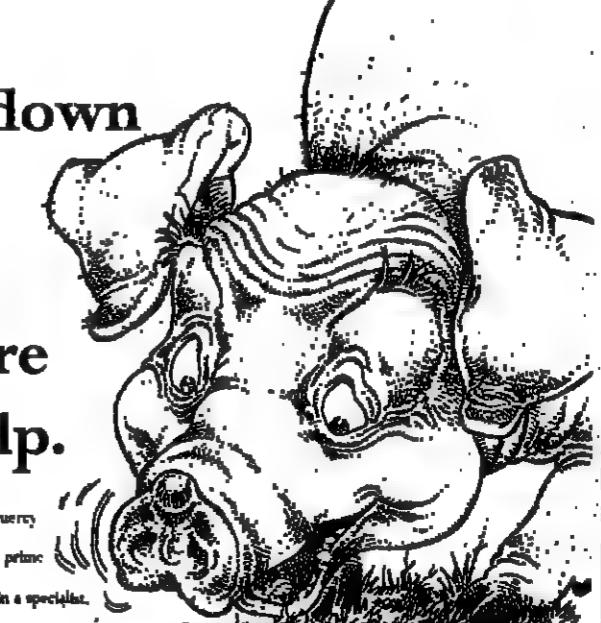
Several financial restructurings of troubled companies

have been carried out, leading to the panel adjudicating on a larger number of whitewashes - where shareholders taking

- more than 30 per cent of a company's equity and acting in concert - are given a dispensation from making a full bid for the company.

Lex, Page 14; Detzis, Page 20.

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## INTERNATIONAL COMPANIES AND FINANCE

# Nokia and Mitsui in mobile phones joint venture

By Michiyo Nakamoto in Tokyo

NOKIA, the Finnish telecommunications and electronics group, and Mitsui & Co, the Japanese trading house, have formed a joint venture to market mobile phones in Japan.

The joint venture, to be established in August, will provide Nokia, the world's second largest mobile phones maker after Motorola of the US, with a foothold in the Japanese market which is expected to grow strongly over the next few years.

The Japanese industry is heavily regulated, with mobile phone companies, such as NTT's mobile phone subsidiary and ITO Cellular, restricted to leasing equipment. However, from next April companies will be able to sell mobile phones on the market.

The industry expects increasing competition from next year when the two companies will be allowed to offer digital mobile phone services.

Nokia's joint venture in Japan, Nokia Mobile Phone Japan, will also start marketing handsets for digital mobile telecommunications systems from next spring.

Nokia, which is headed by chief executive Mr Jorma Ollila, will provide two-thirds of the capital of Y300m (\$2.74m) for the joint venture while Mitsui will provide



Jorma Ollila: to provide two-thirds of the capital

the remaining Y100m.

Unit sales in the initial year are projected at 40,000 to 50,000 units with revenues targeted at Y5bn. Nokia expects initially to market its mobile phones on an original equipment manufacturer basis to telecommunications companies but plans eventually to sell products under its own brand name.

Nokia has been studying the Japanese market for the past year or so, having established a mobile phones division in Japan last year.

The Japanese mobile phones market has been held in check by heavy regulation and high prices which have kept penetration at a low 1.5 per cent of the population.

## Banamex to offer MTNs in international market

BANCO NACIONAL DE MEXICO (Banamex), Mexico's largest bank, is set to offer 1bn pesos (\$630m) of medium-term notes in the international capital market, writes Damian Fraser in Mexico City.

It will be the first peso-denominated Euronotes offering by a Mexican company since the country's return to international debt markets in 1989.

Banamex's existing peso debt is rated A grade by Standard & Poor's. The issue will enable Banamex to fund peso loans at

## News Corp buys 50% of Mushroom Records

By Bruce Jacques in Sydney

NEWS CORPORATION, Mr Rupert Murdoch's Australian media group, is expanding its recorded music business with the purchase of a 50 per cent stake in Mushroom Records, Australia's largest independent recording company.

Announcing the purchase yesterday, Mr Ken Cowley, chief executive of News in Australia, said the company's wholly-owned Festival Records subsidiary had acted as Mushroom's main distributor for 20 years and would continue to do so.

"This new investment is in keeping with our commitment to provide first class multimedia entertainment and information services," he said. Mushroom has annual sales of around A\$50m (US\$34m).

Mr Michael Gudinski, chairman of Mushroom, said the deal would allow the company to expand overseas, especially in the US and Britain, with its stable of recording stars which include Kylie Minogue and Jason Donovan.

Mr Gudinski said the deal would provide valuable links with News' subsidiaries, including Fox Broadcasting, and would bolster Festival Records' position in a competitive Australian market where top recording companies have been bought out most of the independents.

Mushroom was founded 21 years ago. Mr Gudinski will retain day-to-day control of the operation.

### Riyad Bank rises 25% at halfway

SAUDI ARABIA'S Riyad Bank reports a 20 per cent increase in net profit to SR26.14m (\$113.84m) for the first half of 1993, compared with the same period a year earlier, AP-DJ reports from Manama.

According to an unaudited financial statement, the bank's operating income increased 7 per cent to SR736.93m. Loan loss provisions were 41 per cent higher at SR56.72m.

By Terry Hall in Wellington

## Comalco lifts smelter stake by 20%

By Bruce Jacques in Sydney

COMALCO, the Australian aluminium producer, is to buy a further 20 per cent stake in the Roynie Island smelter in Queensland for about A\$200m (US\$136m) from Metall Aktiengesellschaft, the Austrian metals group.

The purchase would lift Comalco's interest in the smelter to 50 per cent and comes as the company is close to a decision on adding a new potline which would lift annual aluminium capacity by about 85 per cent.

Construction of the new potline, being considered despite the glut in world alu-

minium supplies, would add about 300,000 tonnes to the smelter's annual capacity of 230,000 tonnes of primary metal.

Mr Nick Stump, Comalco chief executive, said the proportion of ownership in the new potline was still under discussion with remaining shareholders - a consortium of five Japanese companies.

Deliberations also included arrangements for electric power for the smelter from the Gladstone power station, controlled by the Queensland government, and a decision was expected by the end of 1993.

One option being considered by the company is outright

purchase of the Gladstone power station. Comalco is also involved in talks on power supplies to the two other smelters it controls, at Bell Bay in Tasmania and at Tiwi Point in New Zealand.

"This [purchase] decision is consistent with Comalco's previously announced strategy to concentrate its future investment in the upstream [bauxite to metal] sector of the aluminium industry," Mr Stump said.

"The additional supply will allow Comalco to service its increasing customer base in export markets."

Mr Stump said AMAG, which is controlled by the Austrian government, had expressed a

wish to end its interest in the smelter early this year as part of a plan to focus more closely on the company's European fabricating operations.

The smelter, which began

production in 1982, operates under a consortium tolling arrangement with participants taking metal in line with their equity stakes. AMAG has been a partner since 1988.

The acquisition includes AMAG's shares in the smelter, working capital and other funding obligations attached to the interest. The purchase price is subject to minor adjustments and to approval from the Foreign Investment Review Board.

Spokesmen from both companies said that talks regarding production, research and development were taking place but described them as routine.

Hoesch Stahl, which merged with Krupp Stahl at the beginning of the year, produces annually 200,000 tonnes of tin plate products in its Westfalenhütte plant in Dortmund.

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## INTERNATIONAL COMPANIES AND FINANCE

Strong performances from financial services and power systems

## GE ahead at \$1.3bn for quarter

By Martin Dickson  
in New York

GENERAL Electric, the diversified US manufacturing and services group, yesterday reported a 10 per cent increase in net earnings for the second quarter.

The group benefited from strong operating performances at its financial services and power systems businesses.

The company reported earnings of \$1.33bn, or \$1.56 a share, compared with \$1.21bn, or \$1.42, in the same period of last year.

Revenues rose by 4 per cent to \$14.8bn.

The figures were slightly ahead of the Wall Street consensus and GE shares stood 3% higher at \$97.4 in lunchtime trading on the New York Stock Exchange.

## Puma slips to DM12.6m loss, omits dividend

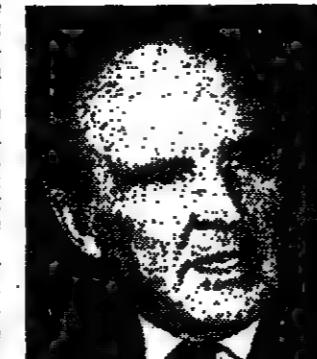
PUMA, the troubled German-based sports goods manufacturer, suffered a DM12.6m (\$7.2m) loss in 1992 writes Ariane Genillard in Bonn.

The company recorded a small profit in 1991 after five consecutive years of losses. It confirmed that there would be no 1992 dividend.

Group sales for 1992 fell from DM57.1m to DM51.9m.

Including licensed sales, worldwide sales for the Puma label were DM1.17bn last year, down from DM1.25bn in 1991.

Mr Jochen Zeitz, the group's chief executive, said that the company had suffered from the decline in the price of sportswear and high marketing costs.



Jack Welch: operating margin for period at record 14.2%

Artwork by Anthony Admiraal

The quarter's results were distorted by the company's disposal of its aerospace business in April to Martin Marietta, also of the US.

It recorded a \$678m, or 79 cents a share, after-tax gain on the sale which Mr Jack Welch, the chairman, said had been used to fund restructuring operations to enhance operations.

The one-time restructuring charge of 79 cents a share was classified as a reduction of continuing operations and the gain on the sale was classified as an increase in discontinued operations.

This meant that net earnings from continuing operations totalled \$656m, or 77 cents a share, down 42 per cent, in spite of the 10 per cent gain at the net level.

Mr Welch said that the oper-

Earnings at GE Capital Services, the financial services group, were 19 per cent ahead of 1992, with 16 of its 23 subsidiaries having record first-half earnings, including Kidder Peabody, its once-troubled securities house.

Power systems recorded "much higher" on-going operating profit on higher revenues due to a strong performance by the power generation business.

Aircraft engines had flat operating profits on a considerable drop in revenues.

However, the company said that lower shipments of engines and spare parts were somewhat mitigated by revenues associated with the consolidation of a recently-acquired engine maintenance and management services business in Wales.

## Revenues at Ciga fall by 4.9%

By Helga Simonian  
in Milan

CIGA, the troubled luxury hotels chain which is controlled by the Aga Khan, suffered a 4.9 per cent fall in revenues in the first half as the recession hit due to occupancy rates.

Turnover fell to L1.206.5bn (\$38m) from L1.217.5bn, with the steepest fall in Spain where room occupancy sank to just 38 per cent.

By contrast, sales and occupancy in the big Italian market improved slightly.

Ciga's latest figures come as a Milan judge decides today whether to approve a court order in late May freezing the Aga Khan's stake in Ciga, which is held through his

quoted Fimpal holding company. The court decision, postponed from early June, follows a legal action by the German subsidiary of the IMF financial services group, which led to a \$100m loan to Fimpal.

As a result of the freeze, trading in Ciga and Fimpal shares has been suspended for the past seven weeks. Ciga's shareholders' meeting yesterday elected two court-appointed representatives to its board, which has been slimmed down to seven from 12 members. The two members will represent the interests of the IMF-led bank consortium pending resolution of the dispute.

Ciga gave no precise earnings forecast for this year in view of the difficult trading conditions. However, it said that it expected operating earnings to be in line with the £2.8m made before interest in 1992.

Having reduced costs to ensure break-even at occupancy levels of about 50 per cent, the group maintained it was well placed to benefit from any recovery.

Net group debts reached L1.101bn, including unpaid interest, at the end of last month, against L1.92bn at the end of December 1992.

Financial charges amounted to L1.93bn in 1992, with interest costs accounting for about L1.25bn and an additional burden of L71bn arising from the effect of the lira devaluation on Ciga's foreign currency borrowings.

*This announcement is neither an offer to exchange nor a solicitation of an offer to exchange any securities. The Exchange Offer described below is made solely by the Offering Circular and Consent Solicitation dated July 8, 1993 and the related Letter of Transmittal and is being made to all holders of GLENFED Debentures. The Exchange Offer will not be made to (nor will tenders be accepted from, or on behalf of) the holders of GLENFED Debentures residing in any jurisdiction where the Exchange Offer would not be in compliance with applicable law. In any jurisdiction where the securities, blue sky or other laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer will be deemed to be made on behalf of Glendale Federal by The First Boston Corporation or one or more registered brokers or dealers licensed under the laws of such jurisdiction. This notice is to holders of the GLENFED Debentures only and is not calculated to lead directly or indirectly to any other person acting on its contents.*

## NOTICE OF EXCHANGE OFFER AND PROPOSED MERGER, RECLASSIFICATION, RIGHTS OFFERING AND ADDITIONAL PREFERRED STOCK OFFERING

TO THE HOLDERS OF  
GLENFED, Inc.

## 7.75% Convertible Subordinated Debentures Due 2001

Notice pursuant to Section 1206 of the Indenture dated as of March 15, 1986, between GLENFED, Inc. ("GLENFED") and Chemical Bank as successor by merger to Manufacturers Hanover Trust Company ("the Indenture"), under which the 7.75% Convertible Subordinated Debentures Due 2001 (the "GLENFED Debentures") of GLENFED were issued, is hereby given of the

current regulatory capital deficiencies of the Bank.

GLENFED and Glendale Federal Bank, Federal Savings Bank, the principal subsidiary of GLENFED ("Glendale Federal" or the "Bank"), are undertaking a comprehensive financial Plan of Reorganization ("the Reorganization Plan") to address the current regulatory capital deficiencies of the Bank.

In connection with the Reorganization Plan, Glendale Federal is offering (the "Exchange Offer"), upon the terms and subject to the conditions set forth in the Bank's Offering Circular and Consent to Waiver, for each \$1,000 principal amount of GLENFED Debentures (i) to issue 49 shares of common stock, par value \$1.00 per share, of the Bank (the "Bank Common Stock") and 16.68 transferable rights ("the Rights") to purchase additional shares of Bank Common Stock at an exercise price currently anticipated to be \$10.00 per share and (ii) to pay in cash interest that became due and payable on the GLENFED Debentures as of March 15, 1993. As part of the Exchange Offer, the Bank is requiring tendering holders of the GLENFED Debentures ("Debentureholders") to consent to certain proposed amendments to the Indenture (the "Debt Amendment") and to give certain waivers, all as more fully set forth in the Offering Circular.

The principal transactions provided for in the Reorganization Plan are collectively referred to in the Offering Circular as the "Recapitalization" and are (i) the Exchange Offer, (ii) the merger (the "Merger") of GLENFED with and into Glendale Investment Corporation, a wholly owned subsidiary of the Bank ("Bank Sub"), (iii) the reclassification (the "Reclassification") of the outstanding Bank Preferred Stock into a new series of Bank Preferred Stock, (iv) an offering of up to \$300 million of Bank Common Stock (the "Rights Offering") to be made pursuant to the Rights issued to the holders of the common stock, \$1.00 par value per share, of GLENFED ("GLENFED Common Stock") of record at the effective time of the Merger, the Debentureholders who tender into the Exchange Offer and the holders of outstanding Bank Preferred Stock that is reclassified pursuant to the Reclassification and to the transferees of the Rights issued to each of the foregoing and certain institutional and other investors and (v) an additional offering of \$125 million of equity securities of the Bank, which are expected to consist of an additional new series of Bank Preferred Stock (the "Additional Offering"). The offering of shares of Bank Common Stock pursuant to the Merger and the Rights Offering, and the offering of Bank Preferred Stock pursuant to the Reclassification and the Additional Offering, will be made only by means of offering circulars filed with the United States Office of Thrift Supervision (the "OTS").

As a result of the Merger, (i) Bank Sub will succeed to the business, assets and liabilities of GLENFED, (ii) each outstanding share of GLENFED Common Stock will automatically be converted into 0.04 shares of Bank Common Stock and 0.22 Rights, and (iii) the GLENFED Debentures that are not tendered in the Exchange Offer, as modified by the Debt Amendment, will remain outstanding as obligations of Bank Sub only and not of the Bank.

THE BANK IS SUBJECT TO A DIRECTIVE FROM THE OTS THAT REQUIRES, AMONG OTHER THINGS, THAT THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS THAT COMprise THE RECAPITALIZATION BE COMPLETED BY NO LATER THAN AUGUST 31, 1993. IF THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS COMPRISING THE RECAPITALIZATION ARE NOT COMPLETED AND THE BANK IS UNABLE TO COMPLY WITH THE REGULATORY CAPITAL REQUIREMENTS IMPOSED BY THE OTS, THE BANK MAY BECOME SUBJECT TO THE APPOINTMENT OF A CONSERVATOR OR RECEIVER, WHICH COULD SEVERELY IMPAIR OR RENDER WORTHLESS THE VALUE OF THE GLENFED DEBENTURES.

THE EXCHANGE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS: (i) AT LEAST 90% IN AGGREGATE PRINCIPAL AMOUNT OF THE OUTSTANDING GLENFED DEBENTURES BEING VALIDLY TENDERED PURSUANT TO THE EXCHANGE OFFER AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE STATED BELOW; (ii) APPROVAL OF THE REORGANIZATION PLAN (INCLUDING THE MERGER) BY THE STOCKHOLDERS OF GLENFED; (iii) CONSUMMATION OF THE MERGER AND SATISFACTION OF THE CONDITIONS TO EACH OF THE OTHER TRANSACTIONS COMPRISING THE RECAPITALIZATION; AND (iv) APPROVAL OF THE MATERIAL TERMS OF THE RECAPITALIZATION BY THE OTS, WHICH IS THE PRIMARY UNITED STATES REGULATOR OF THE BANK.

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON AUGUST 4, 1993, UNLESS EXTENDED.

IT IS EXPECTED THAT THE MERGER WILL BECOME EFFECTIVE BETWEEN AUGUST 4, 1993 AND AUGUST 31, 1993.

IF THE EXCHANGE OFFER IS CONSUMMATED, THE GLENFED DEBENTURES ARE EXPECTED TO BE DELISTED FROM THE LUXEMBOURG STOCK EXCHANGE.

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## AT&amp;T's new battle call in US phone war

By Martin Dickson

AN INTENSE marketing battle between American Telephone & Telegraph and MCI Communications for US long-distance telephone customers took a novel turn yesterday when AT&T trumpeted it had invented a method of "dramatically improving" the sound quality of calls over its network.

It said the new system made long-distance calls sound clearer, closer and more natural by boosting the base end of a call's sound spectrum. But the claim was immediately dismissed as a "marketing gimmick" by an MCI spokesman, who added: "It's not of any concern to us."

The new sound - called TrueVoice - is the latest of many attempts by America's largest long-distance operators - AT&T, MCI and Sprint - to add brand value to what is essentially a commodity service.

As if to underline that point, some of AT&T's self-promotion

## Merrill Lynch posts 53% rise to \$345m at halfway

By Patrick Herverson  
in New York

THE BIG Wall Street securities house Merrill Lynch yesterday announced a 53 per cent jump in second-quarter profits to a record \$245m, on total revenues of \$3.97bn.

The strong second quarter took the firm's six-month earnings total to \$857m, well ahead of the \$443.2m reported in the first half of 1992.

Over the past two years Wall Street has enjoyed an unprecedented boom in stockbroking and investment banking business because of low US interest rates and heavy demand from investors for stocks and bonds.

The firm is the largest retail broker in the US, and in the second quarter its commission revenues (including commissions from the sale of mutual funds) totalled \$665m, up from

\$568.8m in the same period a year ago.

Merrill also leads Wall Street in stock and bond underwriting with an 18.4 per cent share

of the domestic market, and earnings from investment banking climbed 4 per cent in the quarter to \$144m, due primarily to higher revenues from corporate debt underwritings.

As one of the country's largest asset managers, with \$148bn of client assets under fee-based management and more than \$60bn in total client assets in the firm's custody, Merrill earned \$240m in asset management and custodial fees, up 11 per cent from a year earlier.

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strong revenues from the trading of corporate equities, swaps and derivatives, corporate bonds and currencies.

The final component of earnings net interest and dividend income, rose 21 per cent to \$278m, due partly to higher levels of interest-earning assets and favourable interest rate spreads.

On the cost side, Merrill's non-interest expenses climbed 13 per cent to \$1.97bn following an 18 per cent jump to \$1.25bn in compensation and benefits payments, which are tied to the firm's profitability.

Although the news of strong second-quarter earnings provided an initial lift to Merrill's stock, when the share price reached a new \$2-week high of \$88.44 mid-morning, investors began to sell and take profits, so by early afternoon the stock was quoted at \$84.44, down \$1.44.

## PaineWebber advances 30%

By Patrick Herverson

MANAGEMENT - all rose during the quarter.

PAINEWEBBER, the US securities house, yesterday reported that second-quarter profits climbed to \$39.5m, up 30 per cent on the \$25.8m earned in the same period a year ago.

Revenues in the three months totalled \$886.5m, compared with \$832.1m in the second quarter of 1992.

The strong quarter took PaineWebber's half-year profits to its record \$130.2m. In the first six months of 1992 it earned \$120.1m.

PaineWebber said revenues, meanwhile, rose 19 per cent to \$77.4m as client assets under PaineWebber's control climbed from \$107.4bn a year ago to \$127.5bn. Net interest income

rose 19 per cent to \$32.81m. Non-interest expenses were \$559.2m, up sharply from a year earlier because of a big rise in performance-related employee compensation.

The results had little impact on PaineWebber's shares, which eased 5/8 to \$29 before the close in New York. In spite of the decline, the stock remained close to its 52-week high.

Earnings from principal transactions - the firm's trading for its clients and its own account - climbed 8 per cent to \$182.7m, while investment banking revenues edged 5 per cent higher to \$85.6m.

Asset management revenues, meanwhile, rose 19 per cent to \$77.4m as client assets under PaineWebber's control climbed from \$107.4bn a year ago to \$127.5bn. Net interest income

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## INTERNATIONAL CAPITAL MARKETS

## Gilt shrug off 1.8% rise in manufacturing output

By Peter John in London and

Patrick Harverson in New York

THE LATEST batch of UK economic data may have suggested that a recovery was in full swing but the gilt market failed to react accordingly, and was only slightly lower on the day.

Ultra-long-dated gilt yields were at their lowest for more than 20 years when trading began yesterday morning.

News that manufacturing output had risen by 1.8 per cent in May against market expectations of only 0.3 per cent should have provided a

bank holiday. This dampened the enthusiasm and gilt prices rose again.

Although the figures contract closed at 107.95, most dealers said the slide was testing buying interest and reflecting the weakness in Europe rather than a fundamental shift in economic opinion.

Gilts have been rising steadily since May and the lack of volatility has meant buyers have found few opportunities to get into the market. Therefore, there was still strong demand. Mr Andy Tweed, gilt specialist with BZW, said: "Each time the market came back we saw buyers."

Mr Ian Shepherdson, UK economist with Midland Global Markets, said: "The market had been expecting a moderate increase in output and it got a staggering increase. The trend is undeniably upwards but the market does not believe the underlying trend to be as strong as these figures suggest."

The price of 15-year gilts eased only 1.1 to 102.95 and dealers said there was switching into index-linked gilts, which have been left behind.

## GOVERNMENT BONDS

perfect opportunity to take profits. That argument could have been strengthened by the weakness of government bond markets in mainland Europe.

There was a knee-jerk reaction and September gilt futures tumbled 1.1 to 105 after the data was released.

However, the Central Statistics Office said the data had been distorted by the late May

## FT FIXED INTEREST INDICES

	July 13	July 12	July 9	July 8	July 7	Year ago	High	Low
Govt Secs (UK)	97.00	96.08	97.06	97.06	97.07	96.06	96.06	95.98
Govt Interest	116.53	116.21	116.00	115.00	115.92	100.25	116.53	100.07
Bank 100 Government Securities 14/1/95/5 Fixed Interest 1995								
For 1993 Government Securities High yield component 12/5/93, low 10.18 10/17/93								
Fixed Interest High yield component 12/5/93, low 10.18 10/17/93								
Govt Interest High yield component 12/5/93, low 10.18 10/17/93								

## GILT EDGED ACTIVITY

	July 12	July 9	July 8	July 7	July 6
Gilt Edged Securities	102.3	97.4	92.3	102.3	103.3
20-day Gilt	107.7	100.4	100.2	100.4	100.8

\* 60-day Gilt Index rebased 10/14/92

■ GERMAN government bonds slipped, although the markets were looking for a cut of around 5 basis points in the repo today.

Bund futures for September fell 0.22 to 96.08 on low volume as recent heavy foreign buying faded away.

Economists are hanging fire over a reduction in the key floor rates at the Bundesbank council meeting tomorrow until they see what happens at the repo. Some argue that if the funds injected at the repo top DM72bn and the cut is more than five basis points that would be a clear signal for a cut in lending rates on July 29 and possibly as soon as tomorrow.

■ CONTINUING pressure on the French franc failed to check the French bond market which tested a new high before the day around 0.30 up on the previous close at 119.92.

Mr Kit Juckes, economist with S. Warburg Securities, said: "If there is a problem in France it's a currency problem and not a bond problem. Real yields are very high, a protracted rise in interest rates is not on the cards and the Balladur auction has shown that there is an excess of spare savings."

■ JAPANESE government bonds held on to their gains in London as investors bought on renewed hopes of a rate cut.

Dealers said that there had been investment buying during Tokyo trading by domestic life insurance firms and pension funds, taking the yield on the JGB No 145 from 4.28 per cent to 4.26 per cent.

■ AMONG the high yielders, Spanish bonds were barely moved after the Bank of Spain left key money rates unchanged and June CPI figures came in as expected.

Italian government bonds were firmer ahead of the Bundesbank repo today with BTP September futures rising by 27 basis points to 104.41.

■ US TREASURY prices eased lower across the board yesterday morning in the wake of June inflation numbers in line with, but no better than, expectations.

By midday, the benchmark 30-year government bond was down 1/2 to 106.6, yielding 6.625 per cent. At the short end, the two-year note was also slightly weaker, down 1/4 to 100.4, to yield 4.007 per cent.

The keenly-awaited June producer prices report confirmed that inflation does not

## Japanese bonds stay cool ahead of election

By Enrico Torazzini in Tokyo

As the countdown to Sunday's landmark election gets under way, the Japanese bond market is looking remarkably sanguine, with long-term yields in the lower half of this year's trading range.

Last minute campaigning might be all about political reform, with most of the new reformist groups pledging themselves to programmes for economic recovery, but bond market participants have mostly focused on recent economic data.

The data have pointed unequivocally to a delayed recovery, and bond yields have fallen steadily on renewed hopes of a cut in the official discount rate by the Bank of Japan.

The yield on the No 145 benchmark 10-year bond yesterday closed at 4.255 per cent, down from a May peak closer to 4.48 per cent.

Industrial production for May fell by 2.4 per cent from April. Meanwhile, the growth of housing starts decelerated to 0.3 per cent year-on-year, after averaging 5.5 per cent in the first quarter of this year.

May's total employment fell by 0.2 per cent from the previous month, while consumer demand also slumped, with growth of chain store sales falling by 3.5 per cent year-on-year.

Many private economists have revised their economic growth forecasts downward for the fiscal year. This has led to buying of long-term bonds.

Institutional investors, which have been buyers of short-term bonds due to forecasts of a near-term economic recovery, are now investing in the No 145 bond.

If as widely predicted – the ruling Liberal Democratic Party does not regain its majority in Sunday's general election, a coalition government would result. The core party in any coalition would be likely to be conservative.

However, whatever the combination, an immediate stimulus

is likely to be provided by the new structure.

Ms Tomoko Fujii, an economist at Salomon Brothers, says such fiscal favours will create higher fiscal deficits. Together with refinancing by corporations of equity-linked bonds issued in the 1980s, this could put pressure on bond yields in the medium term, she says.

■ Fujii expects the BoJ to remain reluctant to cut rates due to fears of inflation. This will make it difficult for the long bond yield to fall below 4.2 per cent, she says. In the long run, however, the impact of any political shake-up could be positive for the bond market.

Electoral reform will correct the over-representation in the rural areas, shifting more power to the urban electorate. This could liberalise areas such as agriculture and distribution, leading to lower inflation.

## Dutch bank launches tightly priced Eurosterling deal

By Sara Webb

BORROWERS tapped the international bond market using a wide assortment of currencies and structures – including straight bonds, floating rate notes and equity-linked issues – yesterday.

In the Eurosterling sector Bank Nederlandse Gemeente, the Dutch bank which funds local authorities, launched a 220m, 10-year bond which some banks criticised for being too aggressively priced, especially since the borrower does not have an official credit rating.

BNG's bonds were priced to yield 30 basis points over the gilt, giving a yield of 7.83 per cent. Some dealers said the yield pick-up was too small to appeal to UK investors.

However, Paribas Capital Markets, the bookrunner for the deal, argued that BNG was regarded as "in line with triple-A borrowers," given that it

was owned 50 per cent by the state and 50 per cent by the municipalities.

The deal was swapped into gilders, allowing the borrower to achieve its funding target of 25-30 basis points over the yield on the 10-year Dutch state loan – or around 6.75 per cent.

## INTERNATIONAL BONDS

Paribas Capital Markets said demand came mainly from international investors who saw little downside risk with the currency and who like the yield pick-up over the core European government bonds.

Elsewhere, the Republic of Austria launched a \$35m, four-year floating rate note, with a floor of 6.25 per cent and a maximum of 10 per cent.

Three-month bankers acceptances are currently about 4%

per cent. Kidder Peabody International, the lead manager,

reported strong retail investor interest.

In the equity-linked sector, Morgan Stanley brought a

£565m convertible bond issue for Softe, a financial subsidiary of Stet, the Italian public sector telecommunications group.

The bonds can be exchanged for shares in Stet, the main telephone utility (Stet is the holding company for Sip).

## MARKET STATISTICS

## RISES AND FALLS YESTERDAY

	Price	Falls	Falls	Same
British Funds	17	56	6	6
Other Fixed Interest	11	4	279	900
Commercial, Industrial	228	78	100	100
Properties & Property	144	78	100	100
Transport & Gas	11	23	49	49
Plantations	0	0	3	101
Mines	15	64	64	64
Others	41	55	55	55
Total	488	549	1,622	1,622

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. <sup>a</sup>Private placement. <sup>b</sup>Convertible. <sup>c</sup>With equity warrants. <sup>d</sup>Floating rate note. <sup>e</sup>Short-term coupon. <sup>f</sup>Fixed re-offer price. <sup>g</sup>1993/94. <sup>h</sup>0.35%. <sup>i</sup>Minimum 6.25%. <sup>j</sup>Offer to Exchange into existing savings shares of Stip at 127.20. <sup>k</sup>Calculated from 30/6/93 to 28/6/93.

## LIFFE EQUITY OPTIONS

	CALLS	PUTS	CALLS	PUTS
Options	Aug 14	Aug 15	Aug 16	Aug 17
BAT Index	400 1/2 100 1/2 200 1/2 300 1/2	8 10 12 15	200 1/2 100 1/2 200 1/2 300 1/2	25 35 45 55
CSFB	140 11/2 150 12/2 160 13/2 170 14/2	10 12 15 18	140 11/2 150 12/2 160 13/2 170 14/2	15 25 35 45
Mid Europe	130 9/2 140 10/2 150 11/2 160 12/2	10 12 15 18	130 9/2 140 10/2 150 11/2 160 12/2	15 25 35 45
US 100	650 37/2 670 38/2 680 39/2 690 40/2	10 12 15 18	650 37/2 670 38/2 680 39/2 690 40/2	10 12 15 18
US 300	700 16/2 710 17/2 720 18/2 730 19/2	10 12 15 18	700 16/2 710 17/2 720 18/2 730 19/2	10 12 15 18
US 1000	1400 31/2 1450 32/2 1500 33/2 1550 34/2	10 12 15 18	1400 31/2 1450 32/2 1500 33/2 1550 34/2	10 12 15 18
US 2000	2800 41/2 2850 42/2 2900 43/2 2950 44/2	10 12 15 18	2800 41/2 2850 42/2 2900 43/2 2950 44/2	10 12 15 18
US 5000	5600 42/2 5700 43/2 5800 44/2 5900 45/2	10 12 15 18	5600 42/2 5700 43/2 5800 44/2 5900 45/2	10 12 15 18
US 10000	11200 43/2 11300 44/2 11400 45/2 11500 46/2	10 12 15 18	11200 43/2 11300 44/2 11400 45/2 11500 46/2	10 12 15 18
US 20000	22400 44/2 22500 45/2 22600 46/			

## COMPANY NEWS: UK AND IRELAND

Objectives achieved as acquisition of Dowty IT business gives the group international status

## Cray Electronics pushes up profits to £29m

By Paul Taylor

CRAY Electronics Holdings, the Berkshire-based data communications and software systems group which acquired the Dowty Information technology division from TI for £50m in August last year, yesterday reported sharply higher profits for the year ended April 30 1993.

Swollen by the Dowty acquisition, profits on disposals and foreign exchange as well as margin improvements and organic growth, pre-tax profits jumped from £3.5m to £29m.

Earnings per share were 13.8p (1.9p) and the recommended final dividend is increased to 1p (0.5p) making a

total of 1.5p (0.5p).

As expected the results will trigger the final tranche of a three-part share option based incentive bonus package, worth in total about £27m.

The package will be shared by former chairman Sir Peter Michael, his successor Mr Roger Holland, Mr Jeff Harrison, finance director, and Mr Jon Richards, managing director, each of whom invested £750,000 (£214m) from discontinued operations.

After paying £271,000 (£2.61m) in interest charges the company reported "normal trading profits" of £17.6m, slightly higher than most forecasts. An additional £3.43m in realised foreign exchange profits

technology have been achieved."

Turnover increased to £200.5m (£84.6m) including a 40 per cent increase in turnover from continuing operations to £90.4m (£24.6m) and £27m attributable to Dowty.

Continuing operations generated £11m (£3.22m) of operating profits in addition to the £7.2m of profits attributable to the acquisition and £322,000 (£2.14m) from discontinued operations.

After paying £271,000 (£2.61m) in interest charges the company reported "normal trading profits" of £17.6m, slightly higher than most forecasts. An additional £3.43m in realised foreign exchange profits

made total profits on ordinary activities of £21m (£2.74m).

Pre-tax profits were further boosted by exceptional profits on disposals which with a £12.6m gain on the sale of Malvern Instruments partly offset by a £4.55m loss on other items.

At the divisional level, Cray Communications, which now incorporates most of the Dowty business, emerged as the largest and most profitable division within the company with profits of £12.7m on turnover of £127m representing almost 70 per cent of the total. The Dowty data communications companies accounted for £7.2m of the profits and £9m of the divisional turnover.

### COMMENT

The acquisition of the Dowty IT business has transformed Cray Electronics into an international force in the fast growing market for data communications equipment. The business has been quickly integrated but there is still room to push up margins in the combined communications division. The balance sheet is solid with £12m in net cash at the year end and pre-tax profits should reach £22m this year producing earnings of 8.1p per share. The shares slipped 6.4p yesterday to close at 15.6p and therefore trade on a lofty prospective p/e of 17.9.

## Pressure builds on Spring Ram chief

By Andrew Bolger

Company sources have suggested that other executive directors would not be prepared to work with an imposed chairman.

However, institutional investors believe that they would fall in line with the wishes of shareholders, in spite of their loyalty to Mr Rooney.

A key role is likely to be played at today's meeting by Mr Roy Barber, Spring Ram's only non-executive director. A specialist in reviving financially troubled companies, Mr Barber was appointed in April following the first bout of pressure from the Prudential.

Mr Rooney will be under intense pressure to stand down at a board meeting of Spring Ram today. He has said he would be prepared to give up the role of chairman or chief executive, but not both positions.

Mr Rooney and his family trust own 16 per cent of the group's shares. Other large stakeholders are Baillie Gifford with 6.8 per cent and Schroders with 3.5 per cent.

## Increased investment helps Savills to £1.4m

By Catherine Milton

The commercial consultancy division, which includes investing for institutions, improved turnover to £10.7m (£9.88m) reporting operating profits of £819,000 (£1.25m losses).

Mr Ings said: "Our investment activity was up by about a third. Consultancy work on behalf of banks and other lending institutions continued to prosper during the year."

Turnover from the agricultural and residential business was virtually flat at £14.5m (£14m) with operating profits of £245,000 against losses of £1.6m.

Net interest received was £162,000 (£45,000). The group finished the year with £5m (£1.95m) cash and no borrowings.

(£1.65m), in the year to April 30.

The outcome was achieved on turnover up from £25.9m to £26.17m and included 16 months trading for Holington Company (Atlantic Homecare).

A final dividend of 1.38p is proposed, maintaining the total at 2p.

### NEWS DIGEST

## Colorvision advances to £1.78m

COLORVISION, the retailer of televisions, video recorders and camcorders, lifted pre-tax profits to £1.78m for the year ended March 31.

That compared with £24,000 for the previous 12 months which was struck after an exceptional charge of £208,000.

Turnover rose from £59.5m to £64.5m.

Having changed the year-end date the accounts showed turnover of £88.5m and profits of £2.03m for the 18 month period ended March 31 1993.

In line with the forecast made in January, directors are recommending a final distribution of 3.1p (1.5p) to make a 5.8p total.

The total was unchanged compared with the previous 12 months but was against 8.1p for the 18 month period.

Heiton Holdings, the Dublin-based steel stockholder, builders' merchant and retailing group, reported a 21 per cent increase in pre-tax profits, from £1.45m to £1.75m yesterday.

### Faber and Faber

Profits of Faber and Faber, the independent publisher, rose from £267,000 to £330,000 pre-tax for the year to end-March.

The growth was achieved despite first half trading conditions which many in the book trade saw as the worst in living memory. The second half showed a marked improvement.

### Farepak

Farepak, the USM-quoted mail order distributor and food processor, intends to seek an introduction to the main market.

To comply with the Stock Exchange's principal outstanding requirement for listing - that a minimum of 25 per cent of the company's shares be in public hands - family interests of Mr Bob Johnson, chairman, will place 2.05m shares with institutional investors via Hoare Govett Securities.

The shares rose 10p to 300p yesterday.

### HYPY FOREIGN & COLONIAL PORTFOLIOS FUND

Société d'investissement à capital variable  
Registered Office: Luxembourg, 14, rue Aldringen  
Commercial Register: Luxembourg Section B no 25.570

### NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of HYPO FOREIGN & COLONIAL PORTFOLIOS FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on July 22nd, 1993 at 11.30 a.m. for the purpose of considering and voting upon the following matters:

- To hear and accept:
  - the management report of the directors
  - the report of the auditor
- To approve the statement of net assets and the statement of operations and changes in net assets for the period ended March 31st, 1993 and to consider declaration of dividends.
- To discharge the directors and the auditor with respect to their performance of duties during the period ended March 31st, 1993.
- To elect the directors to serve until the next annual general meeting of shareholders.
- To elect the auditor to serve until the next annual general meeting of shareholders.
- Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of July 22nd, 1993, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank:

Banque Générale du Luxembourg S.A.  
14, rue Aldringen  
L-1118 LUXEMBOURG

The Board of Directors.

## Jacques Vert back in black

By Peter Pearce

JACQUES VERT turned losses of £4.65m into pre-tax profits of £1.03m in the year to April 24, as the women's fashion wear group reverted to its core activities.

Mr Malcolm Heald, finance director, said that margins had "crept upon continuing operations", but that the turnaround was due to elimination of loss-makers.

The board took the decision to restructure at the end of the last financial year, since then Alain Cannelle has been closed, the 51 per cent stake in L'Anglaise sold and JV's part of the Ben de Lisi joint venture sold to Mr de Lisi.

Mr Heald said that the group was now able to trade profitably even if the economic climate did not improve, but it might have to look for more cuts if there was a third dip in the recession.

## Disappointing start for Court Cavendish

By Catherine Milton

Shares in Court Cavendish, the UK nursing home operator, ended the first day of trading at 30p compared with an issue price of 22p.

The company's flotation is the first in a recent spate of nursing home listings to disappoint the market. The offer was more than twice oversubscribed and applications were scaled down.

One analyst said last week's announcement of a £23.3m placing and open offer by rival operator CrestaCare had weakened demand for the stock.

Both the distribution and manufacturing divisions contend with low demand, severe pressure on margins and an erratic pattern of trade which made - and still makes - business planning difficult.

Turnover was slightly higher at £27.4m, against £25.5m, reflecting a full contribution from EW Bearings, the distribution business, but disguising the disappearance of £5.13m of business on the disposal of Wyko Power Plant Gears in April 1992.

There will be a further fall this year.

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If the directive came into effect, said Sir David, "the

## Takeover Panel chief expresses fears over European Directive

By Maggie Urry

SIR DAVID CALCUTT, chairman of the Takeover Panel, fears that the European Takeover Directive could mean the UK losing the advantages of a flexible and speedy response during takeovers and lead to tactical litigation during bids.

Sir David used his chairman's statement in the Panel's annual report to attack the directive, which requires a statutory body to regulate takeovers and mergers. The directive has been under discussion since 1987.

The Panel is a non-statutory body. It claims to "avoid over-rigid rules" and "the risk of takeovers becoming delayed by litigation of a tactical nature, which may frustrate the ability of shareholders to decide the outcome of an offer".

If the directive came into effect, said Sir David, "the

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bires	£nil	-	£nil	£nil	£1.65
Bogot A	£0.5	Oct 1	£0.5	£0.7	£0.17
Colorvision	£nil	Sept 23	£nil	£0.15	£0.15
Cray Electronics	£1	Sept 8	£0.5	£1.5	£1.5
Electron House	£1.85	Oct 29	£1.35	£2.8	£2.35
Heiton Holdings	£1.354	-	£1.35	£2	£2
Jacques Vert	£2	-	£nil	£3	£2
Real Time S	£3	-	£3	£3	£3
River/Mero Extra	£1.9856*	Sept 7	£1.6566*	-	£0.755
Savills	£1	Sept 10	£nil	£1	£nil
Triplets Lloyd	£4.5	Oct 1	£4.5	£7	£7
Wynn	£0.5	Oct 1	£1.4	£1	£2.8

Dividends shown pence per share net except where otherwise stated. SAVUS stock. \*With bonus. £For 18 months. \*Third interim: makes 5.000625 to date.

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Dividends shown p

This advertisement describes briefly Dunedin Japan Investment Trust PLC and the Offer. It contains information in summary form and has been derived from, and should be read in conjunction with, the listing particulars dated 12th July, 1993 ("the listing particulars") relating to Dunedin Japan Investment Trust PLC prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986 ("the FSA"). The listing particulars alone contain full details of the Company and the Offer. The Company is incorporated in Scotland under the Companies Act 1985, with registered number 145417. A copy of the listing particulars has been delivered to the Registrar of Companies in Scotland for registration in accordance with section 149 of the FSA and copies are available at the addresses set out in this document until 23rd July, 1993 and for collection only from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP during normal business hours until 15th July, 1993. The London Stock Exchange has authorised the issue of this document under section 154(1)(b) of the FSA without approving its contents. The Directors, whose names are set out in this document, are satisfied that this document contains a fair summary of the key information set out in the listing particulars. However, in applying for Units, you will be treated as applying on the basis of the information in the listing particulars and on the terms and conditions of application set out therein. Before deciding to apply for Units, you are advised to read the listing particulars and, if you are in any doubt about the action you should take, to consult an independent financial adviser authorised under the FSA. In connection with the Offer, UBS Limited is acting for Dunedin Japan Investment Trust PLC and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of UBS Limited or advising any other person in relation to the Offer. Application has been made to the London Stock Exchange for all of the Ordinary Shares and Warrants issued and to be issued to be admitted to the Official List. It is expected that listing will become effective and that dealings in the Ordinary Shares and Warrants will commence separately on 30th July, 1993.

# DUNEDIN JAPAN INVESTMENT TRUST PLC

## Placing and Offer for Subscription by UBS Limited of up to 8 million Units (each Unit comprising 5 Ordinary Shares with 1 Warrant attached)

at 500p per Unit payable in full upon application

EXPECTED TIMETABLE		
Latest time for receipt of Application Form	10.00 am	Friday 23rd July, 1993
Batch of allocation announced	Monday 26th July, 1993	
Ordinary Shares and Warrant certificates despatched	Thursday 29th July, 1993	
Dealings in the Ordinary Shares and Warrants due to commence	Friday 30th July, 1993	

**APPLICATION**  
An Application Form and a guide to the Application Form are set out in the document. The minimum application for each Application Form for a greater number must be made in multiples of 10 Units. Details of where to send the completed Application Form are set out in the guide to the Application Form.

### INTRODUCTION

Dunedin Japan Investment Trust PLC is a new investment trust, with the objective of achieving above-average long term capital growth by investing in a diversified portfolio of Japanese equities.

The Company will be large, medium and smaller sized companies listed on the First, Second and CTC sections of Japanese exchanges.

The Company has a simple capital structure consisting of Ordinary Shares and Warrants which will be listed separately on the London Stock Exchange. Each Warrant will entitle the holder to subscribe for 1 Ordinary Share in any of the years 1993 to 1997, at a price of 100p per share.

It is intended that the Company will be managed so as to satisfy the conditions for approval by the Inland Revenue as an investment trust.

### The Manager

Dunedin is one of the largest managers of investment trusts in the United Kingdom, in terms of funds under management, with approximately £1.7 billion of assets in trust.

These funds under management exceed £3.0 billion, with approximately £400 million invested in Japanese equities.

Dunedin is currently focusing on companies which can show above-average profit growth through consolidation and cost-cutting and those whose profit margins can increase as the economy recovers.

Dunedin has a team of four Japanese stock market specialists, two in Edinburgh and two in Tokyo. In 1992, the team visited over 150 Japanese companies. Visits are made to the largest Japanese companies and under-researched companies.

The Team will be managed by Nigel Barry and his team who have established an excellent long term track record in the Japanese equity market, including Dunedin Japan Growth Unit Trust and Dunedin Japan Smaller Companies Unit Trust as indicated below:

	Over 1 year	From launch*
Dunedin Japan Smaller Companies Unit Trust	+84.1%	+14.6%
Japanese Unit Trust Sector Average	+73.1%	+24.0%
Tokyo New Stock Exchange Index (Y)	+13.3%	+194.3%
Tokyo Second Section Index (S)	+80.0%	+149.3%

\*October 1988. Since 1st April 1990 to 31st July 1993.

Note: (1) Past performance may not be a guide to future performance.  
(2) Figures are sterling adjusted and on the basis of net income re-invested.

### INVESTMENT IN JAPAN

The Directors believe that the following factors, based on their expectations, are indicative of the current attractions of Japanese equities:

By taking official interest rates to exceptionally low levels and by adopting a substantial fiscal programme, the Japanese authorities have now set a framework within which economic growth can be expected and after two years of slowdown the Japanese economy is showing early signs of recovery.

In the fiscal year to March 1993 the economy is expected to have grown by approximately 1 per cent., but as a result of government measures it is expected that the economy should grow by 2 per cent. in the fiscal year to March 1994, accelerating to over 3 per cent. in the following fiscal year as consumption and private capital investment recover.

Recent figures confirm that the economy is improving. Inventory levels are falling, shipments and industrial production are showing signs of bottoming out and are expected to turn positive in the second half of the fiscal year, as is the rate of growth in the manufacturing sector. This trend is likely to continue as confidence picks up and corporate and consumer demand recovers.

Although profit growth in this fiscal year is expected to be negligible, the outlook for the following year is encouraging when Japanese companies should benefit from any general improvement in the economy and should, in addition, see margins expand as high depreciation costs decline and rationalisation and cost cutting measures feed through to profitability.

The official inflation figure is expected to trend towards zero during the second half of 1993. The yen is likely to remain a strong currency because of Japan's continued large current account surplus and the low interest rates. Real interest rates remain high and Japan is responding to international pressure to stimulate growth through lower interest rates.

Over the past three years international investors have maintained significantly underweight positions in Japanese equities. International investors are now reassessing their exposure as the perceived risk has moved to under-performance through better understanding of the world's second largest economy. International investors are also reassessing their exposure to Japanese equities and, when appropriate, the Company is likely to have exposure to smaller companies listed on the Second Section and CTC.

The Manager will make investments which reflect its philosophy of seeking out undervalued opportunities which have above average growth potential.

The Manager will take a "turn down" view on the Japanese economy in formulating investment policy and a "turn up" view on regional companies and regard to stock selection. Company visits and Dunedin's stock screening process are central to both the sector weighting and stock selection decisions. The process will help to identify areas where growth is available at an appropriate price.

The Manager has achieved to track record by focusing on policies of growth in the economy. Areas which were overvalued in the first half of the year have been rebased to reflect the new valuation. The Manager is now focusing on companies which can show above-average profit growth through rationalisation and cost cutting, and those whose profit margins can increase as the economy recovers.

### MANAGEMENT ARRANGEMENTS

Dunedin has entered into an investment management and administration agreement with the Company under which it will receive a quarterly management fee of 0.25 per cent. of the net assets of the Company (plus VAT) calculated in accordance with the terms of the investment trust and the fourth largest in the United Kingdom, in terms of funds under management.

Over the last eight years, Dunedin's sphere of operations has expanded rapidly to include pension funds, unit trusts, private clients, venture capital and internationally based institutional clients.

In 1989, Dunedin acquired the fund management operations of The British Liver Bank. This together with related transactions, resulted in the Bank of Scotland Group becoming a 50.5 per cent. shareholder of the company, although Dunedin retains its operational independence.

Dunedin's funds under management currently exceed £3.8 billion and the company employs over 100 people at its headquarters in Edinburgh and its offices in Dundee, Chicago and Tokyo.

**Management Style**  
Dunedin is a long term investor with a strong focus on identifying underlying value in its stock selection. Dunedin maintains a proprietary database of Japanese equities on which a rigorous screening process is employed to identify stocks which meet its valuation criteria. This process also highlights sectors of the market which are attractive for purchase.

The Japanese investment management team at Edinburgh meets on a weekly basis to review the results of the systematic stock screening process and to add in subjective input on individual companies following company meetings or visits. There is daily contact between the Edinburgh and the Tokyo based members of the team.

Dunedin maintains a regular programme of research visits to medium and smaller sized companies which are generally well researched by external sources. The companies which are primarily involved in this research process which is augmented by regular visits from the United Kingdom based fund managers.

**DUNEDIN'S RELATIONSHIP WITH BARNARDOS**  
Barnardo's is the United Kingdom's biggest and best known children's charity, offering a wide range of services. The charity works with around 22,000 children, young people and families a year in over 150 local projects.

Dunedin has indicated to the Company its intention to donate 25 per cent. of its annual management fee from the Company to Barnardo's, for a period of five years, to support community projects throughout the United Kingdom.

6 authorise Bank of Scotland New Issues, UBS or any person authorised by the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares and Warrants subscribed by you into your name(s);  
7 agree that, having had the opportunity to read the Listing Particulars, you shall be deemed to have read and understood all information and representations concerning the Company contained therein;  
8 confirm that you have reviewed the statements contained in paragraph (4) below and respective to yourself as provided there;  
9 agree that all documents and releases sent by post to, or on behalf of the Company or UBS will be sent at the risk of the person(s) entitled thereto under the Offer;  
10 confirm that you have read and complied with paragraph (5) below;  
11 agree that such Application Form is addressed to the Company and UBS;  
12 warrant that you are not under the age of 16 on the date of your application;  
13 agree that your application for Units will remain valid even if you attempt to transfer them into a PEP which is subsequently valid or not established;  
14 person receiving a copy of the Listing Particulars, the Main Prospectus or any Application Form in the United Kingdom, may not make use of such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any relevant legislation in the United Kingdom, and that he or she will not offer, sell, transfer, or otherwise dispose of such Ordinary Shares or Warrants in the United Kingdom to any person who is not a resident of the United Kingdom or to any person who is not a citizen or resident of the United States or any other jurisdiction in which such an offer, sale, transfer or otherwise disposal is not valid as at the time of such offer, sale, transfer or otherwise disposal;  
15 Neither the Ordinary Shares or the Warrants have been or will be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares and Warrants may not be offered, sold, resold, transferred or delivered, directly or indirectly, in the United States or to any "US Person", as defined in the Securities Act, or to any "Non-US Person" who is not a "US Person". As used herein, "United States" means the United States of America (including the District of Columbia), the District of Columbia, its territories or possessions or other areas subject to its jurisdiction and "US Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States, or any corporation subject to United States federal income taxation regardless of the source of its income;  
16 The basis of allocation will be determined by the Company in consultation with UBS. The right is reserved notwithstanding the basis to determine to reject in whole or in part any application and/or scale down any application. The right is reserved to treat as valid any application and/or scale down any application in accordance with the maximum number of Units which may be offered under the Offer. The right is reserved to accept or reject any application referred to in the Listing Particulars at any time and for reasons of convenience referred to in the Listing Particulars, your application may be rejected until after 6th August, 1993 and may thereafter be rejected at any time prior to the date of issue of the Units. If your application is accepted, the number of Units for which you will be entitled to receive the consideration referred to in the Listing Particulars will be determined by the date of issue of the Units, the number of Units for which your application was received may be altered, subject to limitation of the conditions referred to in (ii) above;  
17 warn that the resistance accompanying your Application Form will be increased on first presentation and agree that if such resistance is not so increased you will not be entitled to receive a certificate for either the Ordinary Shares or Warrants applied for;  
18 agree, in respect of the number of Units for which your application has been received and is accepted, that the acceptance of your application will be confirmed at the election of the Company, either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by confirmation of acceptance thereof to Bank of Scotland New Issues;  
19 warn that any money returned to you may be retained by Bank of Scotland New Issues pending clearance of your resistance and that such money will not be returned until after 6th August, 1993;  
20 authorise Bank of Scotland New Issues, on behalf of the Company to send certificates in respect of the number of Ordinary Shares and Warrants for which your application is accepted and/or a crossed cheque for any monies returnable, by post to the address of the person (or first named person named as an applicant) on the Application Form;  
21 warn that, if you sign the Application Form on behalf of somebody else on behalf of a corporation, you have the authority to do so on behalf of that other person and undertake to evidence your power of attorney or other authority or a copy thereof, certified by a solicitor;  
22 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts;  
23 confirm that making such applications you are not relying on any information or representations in relation to the Company or the Units and any statement contained in the Listing Particulars or the Main Prospectus and any statement made by the person responsible wholly or jointly for the Listing Particulars or any part thereof shall have any liability for any such other information or representations;

## DUNEDIN APPLICATION FORM

DUNEDIN JAPAN INVESTMENT TRUST PLC

Offer by UBS Limited of up to 5.14 million Units (each Unit comprising 5 Ordinary Shares with 1 Warrant attached) at 500p per Unit, payable in full on application.

Please use block capitals

1	Forename(s) in full Mr., Mrs., Miss or title Surname
2	Minor's forename(s) in full Surname Date of birth
3	Address (in full) Postcode
4	I/we offer to subscribe for _____ Units
5	(or any smaller number of Units for which this application is accepted) at the Unit Price of 500p per Unit payable in full on application on the terms and conditions set out in this Application Form and the listing particulars dated 12th July, 1993 and subject to the Memorandum and Articles of Association of Dunedin Japan Investment Trust PLC.
6	I/we attach a cheque or banker's draft for the amount payable to "Bank of Scotland—A/C Dunedin Japan". £ _____ (500p multiplied by the number of Units inserted in Box 2).
7	Dated _____ 1993 Signature _____
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## Birse deficit hits £18.5m as recession bites

By Andrew Taylor,  
Construction Correspondent

**BIRSE GROUP**, the building and civil engineering company in which Bilfinger & Berger, the German contractor, has a 15 per cent stake, incurred a £18.5m pre-tax loss during the 12 months to end-April.

The deficit compared with a £12.3m loss the previous year. Turnover fell by 7.8 per cent from £256.1m to £232.4m. Losses per share widened from 15.3p to 22.3p.

The loss was struck after provisions of £3.48m against the group's commercial property operations. That was only slightly lower than the £3.67m provisions made against commercial property in 1991-92.

Mr Peter Birse, chairman, said the company had suffered from a severe recession in all its markets.

The company has net debt of £27m, more than twice shareholders' funds of £12.5m. It recently renegotiated its loan agreements, rescheduling its short term borrowings on a committed three year basis to May 1996.

Mr Birse said the agreement with the banks had given the group a firm foundation from which to reduce its borrowings through an orderly sale of its commercial property interests valued at £25m.

Its contracting operations last year incurred a loss of about £9m compared with a deficit of £5m the previous year. Commercial property ran up a loss of £4m after provisions (£3.1m); plant hire profit

fell from £1.5m to £1m while house building made a similar loss to the previous year of £1.5m.

Mr Birse said that the construction division had suffered from low margins on contracts and delays in receiving payments on long term projects. He expected this position to improve in the current year.

House sales by Birse had risen by 25 per cent last year but the division had suffered from weaker house prices.

### COMMENT

The preparedness of banks, led by Midland, to support Birse is good news for its British and German shareholders. The company's survival looks assured provided there are no nasty surprises to upset its recuperation. Birse, however, is unlikely to make a quick return to robust health.

Contracting is likely to remain a difficult market while house-building - expected to lead the construction recovery - is only a very small part of the company's business. The group also appears under-capitalised for a turnover of more than £200m.

Property sales still have to be concluded to reduce debt interest charges, however, should be lower this time next year. The group has left itself sufficient leeway, over the timing of when it takes construction profits, to enable it to return to the black this year.

Profits, however, should not be much more than £1m to £2m and there are better recovery stocks elsewhere.

## Putting all the potatoes into one frying basket

**Catherine Milton looks at Bensons Crisps' plan to centralise its production**

**M**RS SIDNEY Benson was not the kind of man to let the second world war deprive the people of Wigan of their crisps.

When Smiths, virtually the only UK volume crisp maker in the 1980s, slashed production because of a wartime shortage of vegetable oil, the fish and chip shop proprietor used lard to make his own, and Bensons crisps were born.

Today Bensons Crisps is the fourth-largest quoted savoury snack maker in a UK market worth about £1.4bn. The company, however, has recently launched an ambitious investment programme to try to secure its future.

It is moving the bulk of its production from three factories and a warehouse in Kirkham, Lancashire, to a purpose-built plant nearby to increase output and raise efficiency to match that of its much larger competitors.

Bensons believes it will be one of the most efficient snack producers in the country when

production begins at the end of this year.

The investment will total about £2.7m, funded by a £1.2m rights issue topped up by lease finance.

The plant will help Bensons, which ceased to be a family-owned business in the late 1970s, to overcome its main problem - lack of scale.

It claims a 5 per cent market share compared with the top three crisp makers, which are all multinationals.

PepsiCo and United Biscuits are vying for market leadership, and both claim more than 40 per cent. Dalgety comes a clear third with 13 per cent.

Without the efficiency gains from volume production available to its larger rivals, the company's capacity to remain competitive is questionable.

With operations split between two factories and a warehouse site in Kirkham and one factory site in Newport, Gwent, the question marks over its future had multiplied.

Then also, in the late 1980s, the market began changing rapidly and Bensons did

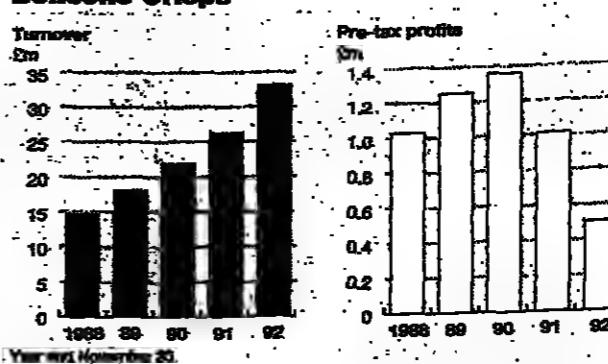
not. Consumers moved away from the company's traditional sales ground of independent retailers selling single packets of crisps and began choosing instead lower margin multipacks sold through supermarkets. The big multiples now account for almost 50 per cent of retail sales.

In 1992 pre-tax profit margins were 1.5 per cent, against 6.9 per cent in 1988. Pre-tax profits dropped to £500,000 from £1m in 1991 while turnover advanced more than a quarter to £3.2m.

Over the past five years Bensons has seen a number of independent operators absorbed by larger competitors. Mr Malcolm Jones, managing director, considered but then abandoned the idea of selling up.

**H**e says: "We know we really had two options: sell up, or invest in a greenfield site. We chose to invest. It is the option that is four times

### Bensons Crisps



harder, but we think it could be more than four times as rewarding for shareholders and employees."

Bensons has spent more than £5m in the past six years on re-equipping, and will transfer much of that machinery to the new plant.

The total investment, however, is less than three quarters the sum that the Snack Factory, a privately-owned company 40 miles away, has spent on a greenfield plant in Skelmanthorpe, which it claims is Europe's most efficient snack producer.

Bensons' new 9.8 acre site will allow for improved materials flow and greater capacity. It will replace, for example, an

existing 700kg per hour fryer with one that can handle 2,000kg per hour. The fryer will feed automated packaging systems which can respond flexibly to the order flow.

Bensons hopes the greater efficiency will allow it to make cost savings of between 10 and 15 per cent, or roughly £1m a year. The new facility should mean a changed sales mix.

It now sells 40 per cent of its turnover to supermarkets, another 10 per cent of sales are made through van rounds, with the remaining 50 per cent to wholesale cash and carry businesses.

It is negotiating with the big

multis and says it has had encouraging signals about increasing supplies.

When the new plant is in operation Bensons expects 60 per cent of its turnover will go to supermarkets, with 40 per cent sold through the independent sector.

It is a bold strategy, which although based on sound assumptions about how technology can improve efficiency, depends crucially on factors which Bensons, like everyone else in the market, cannot control.

**I**t will remain vulnerable, I thought, to aggressive pricing by a small number of large competitors and the significant price pressures exerted by the leading multis.

Bensons argues, however, that its increased competitiveness will mitigate the effect of external pressures.

Mr John Hase, savoury snack specialist with PA Consulting Group, said: "It is a very competitive business and the big players are very serious, particularly PepsiCo and United Biscuits, about dominating the market.

With competition like that it will not be an easy job to carve out and maintain an adequate and profitable market share."

## Snack Factory takes ruthless line with deviants

ONLY 40 miles from Bensons Crisps lies one of its main competitors, which is already exploiting state-of-the-art production techniques. The Snack Factory, part of the privately-held Anas Haye Saeed Group, claims to be the most efficient snack producer in Europe, writes Catherine Milton.

Based in Skelmanthorpe, Lancashire, the factory flanks the M63 motorway. It cost £21m and started operating in 1990.

The management team had all worked in crisps and snacks

before, and we strongly believed we could do things more efficiently, given facilities designed with modern technology rather than bolting new machines on to old," said Mr Geoff Marsden, Snack Factory's managing director.

It is generating pre-tax profits of about £2m on annual turnover of £26m, all from sales to supermarkets.

In 11 minutes it can turn muddy potatoes into crisps with computers enforcing tight specifications at every step.

Not every crisp makes it through the computer checks and tests. The raw materials themselves may be rejected if

tests show that more than 2.5 per cent of a load is mud rather than vegetable.

Once in the factory the potatoes are automatically washed in recycled water, cut, and passed through a "Size Silver" to standardise crisp specification.

Not every crisp makes it through the computer checks and tests. The raw materials themselves may be rejected if

they are not the right size and season.

A US-made computer-controlled high speed video optical sorter scrutinises every crisp, "recognises" deviants and then "orders" them blown off the production line.

Moisture and oil content are continually monitored by scanners to prevent soggy-crisp syndrome. Even flavour is checked automatically by a machine which gives instant salt readings to indicate flavour levels.

The crisps are conveyed around the factory on a specially gentle vibrating auto-feed system to prevent fracturing.

Surviving crisps are fed into Japanese-made Ishida weighing machines, which drop the proper weight of crisps into tubes of plastic packaging. These are then sealed and severed to form the packets of crisps.

Mr Marsden said: "Starting from scratch you have the opportunity to develop your own culture because you are not bringing working practices from other organisations."

## Triplex looks to power for growth

By Paul Cheshire,  
Midlands Correspondent

**TRIPLEX LLOYD**, the industrial engineering group, announced pre-tax profits of £7.08m for the year to last March, a fractional improvement on last year's £7.07m.

Earnings per share were 9.8p, down from 10.9p as the diluting effects of February's 1-for-4 rights issue came into play. As promised then, the final dividend is 4.5p, maintaining the total at 7p.

While engineering turnover declined from £55.4m to £47.8m and operating profits fell sharply from £3.1m to £2.63m, the power division's turnover rose from £27.3m to £28.1m and produced operating profits ahead from 4.41m to 5.56m.

As operating profits of the automotive division were scarcely changed at £2.73m, on turnover of £46.8m (£42.8m) it meant that the power division, where investment has been concentrated, was the single most important factor in holding up profits.

"We see immediate growth opportunities for our power division, both organically and by acquisition," said Mr Colin Cooke chairman.

### COMMENT

Triplex Lloyd's immediate future is mixed: bright for the power division, not too bad for automotive, although that depends on winning market share, and dull for general engineering and building products. In fact, with so much investment going into power and a large proportion of profits coming from it, the building products business looks more and more uncomfortable in the group. The shares are not a buy for immediate gain, because profits growth from current heavy investment will not show through strongly until 1995-96. Given the mixed prospects, pre-tax profits for this year may not top 2.5p and earnings could slip back to about 8p. That would put the shares on a prospective p/e of more than 15, high enough for any but the most patient.

## Electron House up 58% to £2.25m

Steady growth in all market areas enabled Electron House, the electronic components distributor, to record a 58 per cent increase in profits to £2.25m pre-tax for the year to end-May.

The figure was bolstered by a drop in interest charges to £1.16m (£2.47m) reflecting lower borrowings following the disposal of the computer wholesaling business in August 1992.

The disposal had the effect of reducing year-end gearing on a pro forma basis from 33 per cent to 23 per cent.

Group turnover declined from £125.4m to £88m. However, sales from continuing operations showed an improvement of £15.9m at £78.4m.

Earnings improved to 4.2p (3.62p) per share and a proposed final dividend of 1.5p makes a 2.6p (2.38p) total.

Mr Robert Leigh chairman, said early indications were encouraging with strong sales and order intake in the first weeks of the current year.

## Maiden profit at ML Labs

By Joan Grey

**ML LABORATORIES**, the USM-quoted research and development company which has the dialysis drug Icodextrin as its main product, turned in pre-tax profits of £65,000 for the six months to March 31.

The outcome, the company's first profit since its shares were placed at 70p on the Third Market in 1987, compared with a deficit of £447,000.

Turnover was up at £467,000 (£312,000) and earnings per share came out at 0.1p against losses of 1.5p.

At the year-end the company had £14.8m on deposit.

Following the announcement that it had won

a marketing licence for Icodextrin in January, the shares - which moved to the USM in December 1990 - jumped to their present level of about £11, giving a market capitalisation of more than £300m.

Icodextrin is a drug which can be used in medical dialysis so that kidney patients do not have to rely on hospital visits to use kidney machines but can change bags of fluid in their own abdomen themselves, at home or at work.

The estimated market for Icodextrin - which makes it possible for patients to go for longer between fluid changes and has fewer side effects than other drugs - is, according to Mr Stuart Sim, finance director, "conservatively estimated at £487m a year."

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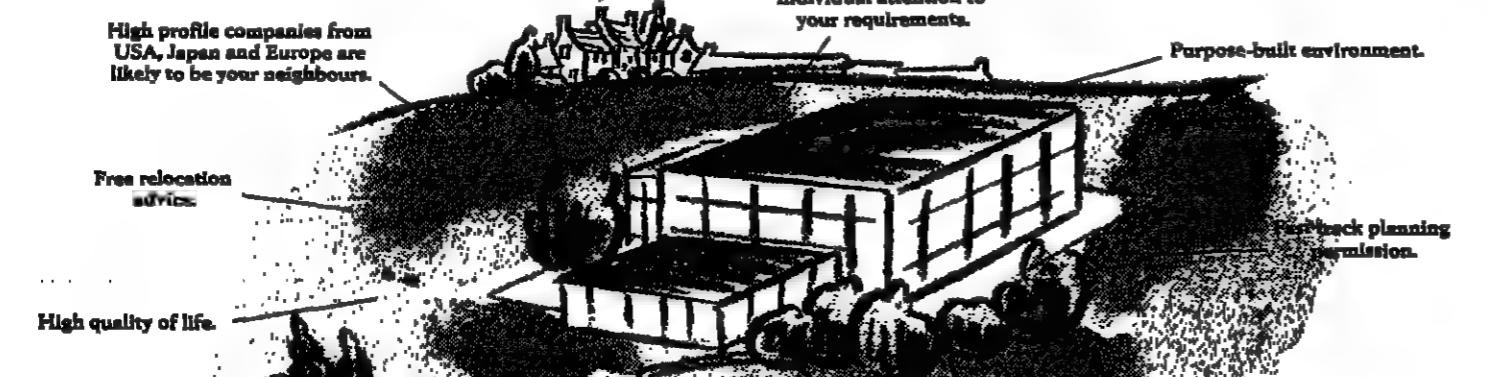
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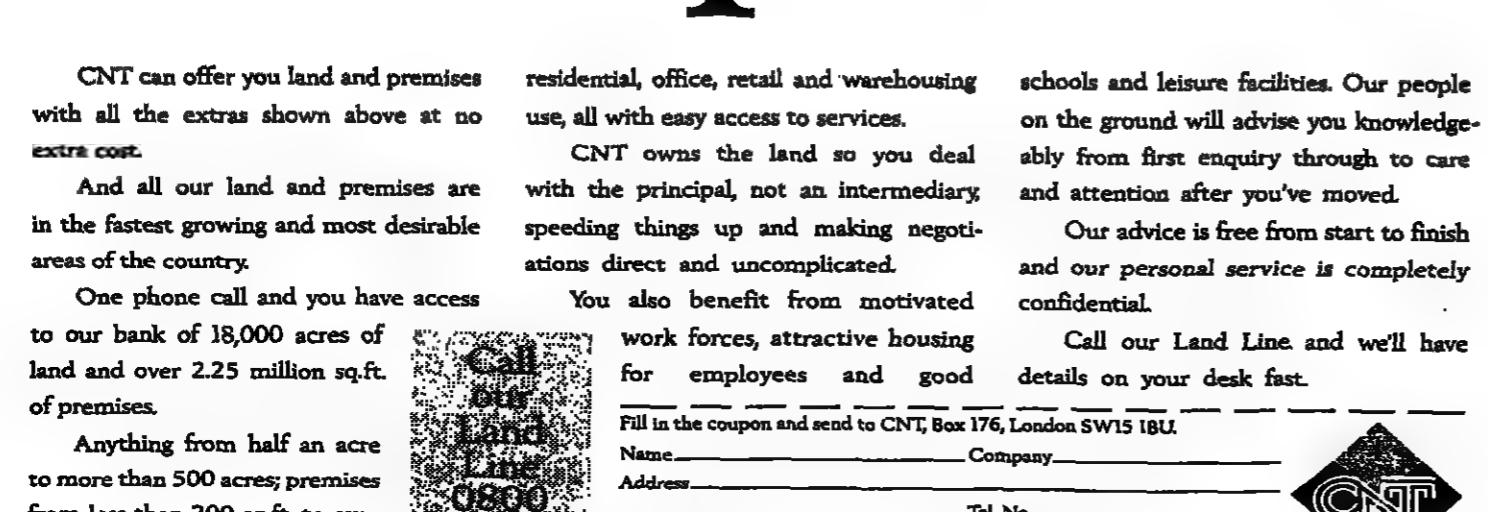
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## MANAGEMENT

Frances Coady is not Oxbridge educated. With her black leather jacket, mini skirt and scarlet lipstick she does not fit the classic picture of a boss. Yet this 34-year-old has just been given one of the best jobs in British publishing: running the literary imprints of Random House - Jonathan Cape, Chatto and Windus, Vintage and Pinocchio.

At the same time, Kate Parkin, also in her early 30s and just back from maternity leave, has been put in charge of the more mass-market publishing names Century and Arrow. Carmen Callil, 20 years older and the industry's *grande dame*, has become grander still as publisher-at-large of the Random House group.

The glass ceiling is lying in shards at the feet of the Random House women. At the centre stands Gail Rebuck, who became chief executive 18 months ago, and is the most powerful of the lot.

"This shouldn't be a great story, but it is," says Coady. When she started in publishing in 1982 as a secretary at Faber & Faber there were only two women close to the top: Callil who founded Virago and went on to manage Chatto, and Liz Calder who was the first woman on the board at Jonathan Cape.

Now both have moved on to greater things (Calder has set up Bloomsbury) while the list of big female names in British publishing has lengthened. Paula Kahn is managing director of Longman. Philippa Harrison runs Little, Brown. Other women have started their own companies: Victoria Barnsley at Fourth Estate and Sarah Mahaffy at Boxwood.

But have women really made it in publishing? And if so is publishing a model for other industries, or is it somehow a special case?

### The glass ceiling is lying in shards at the feet of the Random House women

In sheer bulk, book publishing is dominated by women. They make up more than 60 per cent of the workforce, but only 40 per cent of the managers and 20 per cent of the directors, according to the Hansard Society Commission. That is still much better than in the economy as a whole, where 25 per cent of junior managers and less than 2 per cent of senior ones are women.

Anecdotal evidence suggests that women are increasingly making their presence felt in senior, if not in the most senior, jobs. One London Business School student was surprised to find himself inter-

Why have women made it to the top of publishing but so few other professions, asks Lucy Kellaway

## Female progress by the book



Gail Rebuck (left) and Frances Coady of Random House are pioneers in the world of publishing

viewed exclusively by women at each of the four publishing houses to which he had applied for a job.

But according to Kahn, nearly all the big decisions are still being taken by men. "There are a number of very high-profile women managing major editorial departments, but when it comes to women with significant financial and commercial power, there are really only two, Gail Rebuck and myself," she complains.

She is in common with many others, proved her worth and was rapidly promoted. "Because many of the women had brains and gumption they got on," says Rebuck.

But why haven't they got on still further and in greater number? One reason may have been a lack of ambition, at least on the part of some of the older women. "Women of my generation have not wanted to be the ultimate boss, but younger women don't feel that way," says Calder.

Rebuck talks about the feminine traits of creativity, the instinct and flair needed in a publisher, but then thinks better of it. "That's all rubbish," she says, deciding that the real reason is the entry policy. Traditionally, a young woman with a degree but no particular training

could get a job in publishing as a secretary or assistant. "No one else would employ them."

The pay for these young hopefuls was pitifully low. When Coady, who has degrees from Sussex and Essex Universities, was taken on in 1982 she was offered less than £2,000. "I couldn't believe it. They obviously expected me to have a private income," she says.

She is in common with many others, proved her worth and was rapidly promoted. "Because many of the women had brains and gumption they got on," says Rebuck.

Recent changes in the industry may also be in women's favour. Until recently, publishing was a shambolic cottage industry with highly paternalistic ways. According to Kahn, women lost out in this informal environment. "In a small family firm it is only great if you happen to be the daughter," she says.

The bigger companies have given the industry its first taste of formal equal opportunities policies: a decade ago maternity leave - if any - was decided on an *ad hoc* basis.

Now companies are vying with each other to offer the best maternity deal. Faber & Faber and Longman have recently agreed to pay towards employees' childcare costs.

The reorganisation has also started a game of musical chairs in senior positions: men who had seemed likely to remain forever in their jobs have moved, and some have been replaced by women.

Just as the balance is shifting towards women at the middle and the top of the industry, the reverse

is happening at the bottom. The higher salaries are drawing in more men, who are increasingly prepared to start as secretaries. "The young men don't come with all that baggage any more. They've got mothers who worked," says Rebuck. Both Rebuck and Coady have made secretaries - something that would raise no eyebrows in the US where some 60 per cent of publishing assistants and secretaries are male.

The experience of the women who have made it in publishing, and of those who work for them, suggests that the sex of the people at the top does make a difference. Coady says that women's attitude to power is less political. "I look at power in relation to what I am doing. Power is desirable to me if it means I can put my ideas about writers and books into work."

Rebuck agrees: "There is that element of Machiavellian charm of men in publishing. They meander around the point, and you walk out of the office and do not realise until later that you have been carved up. Women are more direct."

Women are also said to communicate better. One female employee commented with approval that when Rebuck took over she went round the office talking to everyone. "You wouldn't find a man doing that."

They work harder, says Coady, who admits to being a "complete workaholic". Rebuck, who hurries home every night to see her two children, has had to become an efficient user of time. However, their view from the top is not altogether pleasant. As pioneers, they are constantly subjected to a great deal of attention, not all of it flattering. Carmen Callil is used to reading that she is a nightmare to work for, while Rebuck learnt from the trade press that she got the job by stabbing her predecessor in the back.

Such talk, argues Coady, is heard every time a woman gets into a position of power. "You've got to get people trying to explain why you've got the job," she says. Rebuck complains that "women in power are often criticised for being tough. But if they are not tough there is a suggestion that they are not up to the job."

She also finds that many men do not know how to deal with her. "They have run out of stereotypes," she says. She tells the story of a middle-aged male journalist asking her whether she could sense any sexual tension when she chaired board meetings. She rolls her eyes and laughs.

That brave new world is still a fiction in which women are in charge and the men do the typing without either party feeling they are doing anything odd. But if one day it is to become fact, it could well be in books first.

There is often a wide gap between companies' professed values and their actual behaviour, or at least the public's perception of it.

That is the main conclusion to be drawn from two separate, but far from contradictory, surveys of senior business executives published this week.

**The importance of being ethical\***  
- by Ashridge Management Research Group and the UK consultancy Integrity Works - concentrates largely on the views of non-executive directors of Britain's leading companies.

All 119 respondents in the report felt business ethics was a significant issue, even if there was little consensus about what the term meant. But while the majority thought it "very important" for business to be viewed as ethical, less than half felt this to be the case in practice. More than a quarter thought that the public views business as "quite unimportant".

That said, 54 per cent of respondents consider that company standards are better than they were 10 years ago - 22 per cent said they were worse - and 43 per cent disclosed that their firm operates an ethics code. Thirteen per cent have adopted the practice of "ethics awareness training", while a further 8 per cent carry out an ethics audit.

The findings of the Ashridge research reinforce the view that an organisation's conduct is largely dependent on the stance of its chief executive.

Many of the conclusions, moreover, find an echo in the other study - *Insights into values in business* carried out by the Helsinki-based consultancy Values into Action and based on responses from 70 senior executives in Britain, the Nordic countries, Europe and beyond.

Three in five said they conduct their business activities and practices according to a common code of values. But more than three quarters of those believed there was a gap between ethical values and actual behaviour, and one in five said that business necessity overrides such values.

Values into Action adds that

## Bridging the ethical gap

Values may differ widely from behaviour, writes Tim Dickson

a study of more than 400 annual reports highlights the need to clarify use of the word "value". It makes the distinction between "business values", which are situational and relative, and "ethical values", which are universal and absolute. Corporate value codes - which often look more like corporate goals than value statements - should explain how they relate to each other.

Values into Action says managers who want to check their companies' "ethical health" should ask themselves whether the following are true or false:

1. People in the company conduct their business activities and practices according to the same code of values.

2. Because of the current (economic) situation, there is less time to show employees the consideration they deserve as individuals.

3. Survival depends on getting back to basics, cutting costs and reducing overheads.

4. Faced with a choice, business necessity overrides ethical values.

5. Sometimes there is a gap between ethical values and the way in which the company and/or people in it behave.

6. Management trusts employees and employees trust management.

7. Sometimes there is a discrepancy between what executives preach and what they expect their colleagues and employees to practice.

8. People willingly and genuinely want to put the values of the company into practice.

9. We accept and honour our responsibilities towards other "stakeholders" (those who are taken into account when business decisions are being made, or who are affected by the outcome of business decisions) as well as customers, shareholders and employees.

10. Frank, fearless and critical dialogue both upwards and downwards in the company is actively encouraged and practised.

\* Price £20, available from *Terramont Knott, Ashridge Management College, Berkhamsted*.

\*\* Price £15. Requests for copies should be faxed to (388) 0 388 1881

## BUSINESS AND THE ENVIRONMENT

## Battle for the heartland of South America

John Barham on plans to create a 3,400km waterway

The rivers of South America have been largely untravelled since they were used by conquistadores, explorers and traders to settle the continent's heartland. Now, once again, the peace may be about to be disrupted.

Plans are under way to transform the Paraguay and Paraná rivers into a 3,400km waterway that would link the often impoverished interior with seaports at the River Plate estuary. The waterway would be quick, easy and cheap to create.

The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay, whose territory the rivers flow through, are seeking international finance to set up the waterway, known as the Hidrovía. It could become one of the region's biggest development projects since the construction of the Itaipu dam in the 1980s.

Predictably, the project has met with hostility from environmentalists. Argentine and US scientists said in a recently published study that the Hidrovía could threaten the environment. They also doubted its economic viability. The report, produced by Wetlands for the Americas, a conservation group, and supported by the prestigious Woods Hole Research Institute in the US, warns of water pollution from spills of oil and chemical cargoes.

River life, wildlife and the surrounding land would be affected by the increased river traffic and the civil engineering projects required to make the rivers navigable.

The main threat, says the report, is to Brazil's vast Pantanal marshland. The 200,000 sq km Pantanal not only supports a rich diversity of wildlife, but acts as a gigantic sponge, regulating water levels in the Paraguay river. Damaging the Pantanal's sponge function "may result in an overlap of the peak flooding period in both the Paraná and Paraguay rivers, which can increase the risk of both catastrophic rises and extreme lows in water level along the middle and lower Paraná River".

Changes in the region's



Altering the course of nature: The Itaipu dam

hydrology would exacerbate alterations already caused by the large Itaipu dam and add to potential impacts caused by other dams under construction on the Paraguay and Paraná Rivers.

The Hidrovía could also cause further problems. "It is very likely that the greatest environmental impacts will be indirect, given the rapid development process that may follow the starting of the operations in the waterway," the report says.

Better transport would inevitably increase human occupation and bring environmental disruption. This could also lead to an expansion of diseases such as malaria, dengue and yellow fever and the spread of water-borne diseases.

The Hidrovía would help bring vast new areas of land under cultivation in the heart of the continent, replacing native vegetation. This could increase soil erosion and the silting of rivers. Increased use of agrochemicals would damage river life. Industrial mining and gold wildcating, which already threaten the Pantanal, could also increase.

The authors attack as superficial a previous economic feasibility study carried out by Brazilian consultants which estimated the Hidrovía's rate of return at 16-23 per cent. This report has been used by governments to support the

Baltic Sea is one of the most polluted in the world, but the problem of how to clean it up and who should foot the bill has plunged politicians, bankers and environmentalists into a lengthy controversy.

This has festered even though the Baltic coastal nations - including Sweden, Denmark, Russia, Finland, Germany, and Poland - agreed more than a year ago on an \$18m (£12m) plan to restore the health of the world's largest body of brackish water. The arguments have centred mainly on the lending terms of development banks and the long-term benefits of the plan.

The debate came to a head at a recent conference in the Polish port city of Gdańsk where more than 100 designated environmental "hot-spots" in the region were pinpointed. In what was billed as a "resource mobilisation" meeting, it proved to be another ministerial session where leaders from eastern Europe looked for help and western European ministers pleaded poverty.

However, Denmark did pledge \$5m this year and an overall increase in Danish foreign development assistance in the next decade.

Svend Auken, Danish environment minister, took issue with the European Bank for Reconstruction and Development and the Nordic Investment Bank. His criticism amplified the frustrations eastern European leaders have expressed for several years.

Since then, the EBRD has been criticised for spending heavily on itself and being too slow to lend on new projects.

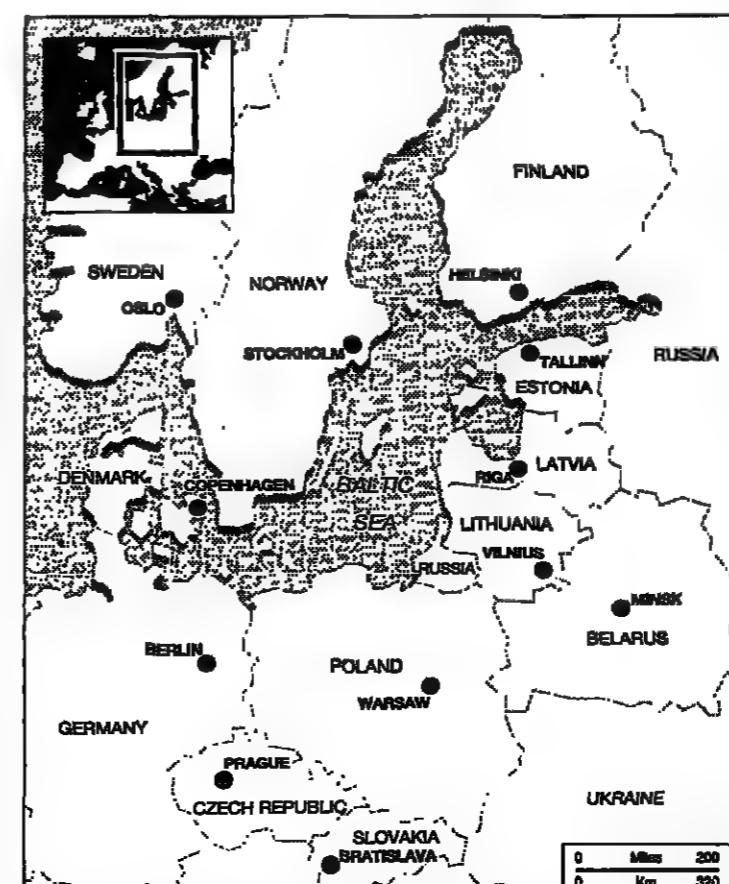
"We all had great expectations as to what the banks could offer, especially the European development banks," says Auken. "I must say I am not impressed with the willingness and capability of the international banks.

"Nothing will happen if the loans are only provided on market terms - that is with western guarantees and market-level interest rates and high consultants' fees to the banks. "The banks will have to provide soft loans for this programme," Auken adds. "Only by doing so can they help to increase investments in environmental improvements. A sewerage treatment plant is obviously not going to make the same immediate return as a cement producing plant. So loans need to be adjusted accordingly."

The need to improve water quality in the Baltic Sea has become ever more urgent. With more than 8m people in its catchment area, it is continually flooded with dangerous concentrations of not only the typical sewerage effluents of nitrogen and phosphorus, but also more toxic substances such as PCBs, DDT, chlorine, mercury, lead, cadmium and others.

Plans to clean up the heavily polluted Baltic Sea have stumbled over funding, writes Joe Kirwin

## Muddy waters



The concentrations of organochlorine residues in fish in the Baltic proper are three to 10 times higher than in those from the North Sea," scientists stated in a report released when the updated Baltic Sea convention was signed two years ago in Sweden. "More than 100,000 sq km are totally dead."

Another source of pollution comes from chemical weapons dumped after the second world war. The casings for these weapons have rusted at the bottom of the sea and ice covers much of the Baltic in winter. Thus its ability to clean itself is much more limited compared with the North Sea or the oceans.

Concentrated efforts by the Nordic nations such as Sweden, Finland and Denmark have been made to clean up the Baltic. One example is provided by Modern Swedish paper and pulp mills which have drasti-

cally reduced chlorine emissions. Water quality in many of the Scandinavian coastal cities has improved to the point where fish have returned and swimming is possible for the first time in decades.

But local progress has been offset by pollution emissions not only from Russia. Poland, the Baltic nations and the former East Germany, but also by increased agricultural runoff from Denmark, Finland and southern Sweden.

The financial problems associated with the clean-up are not the only controversy that has erupted over the action plan. Environmental groups such as the Coalition for a Clean Baltic and Greenpeace have criticised it for its emphasis on end-of-pipe solutions such as sewerage treatment plants.

"There must be much more of an emphasis on clean technology so as to control diffuse sources of pollution like agricultural runoff," says Jesper Grolin, a Greenpeace representative who has worked closely with Baltic Sea issues.

The environmental groups have also criticised the financial problems of implementing the plan. "Even if governments from Scandinavia and Germany and the others do not pledge the money now, they should at least commit themselves to finding it," Grolin says.

With aid loan money in short supply, several eastern European nations have attempted to help themselves. Poland has started a Bank for Environmental Protection, which has assets of more than \$3bn raised from pollution licence fees charged to industry and other pollution sources. Slovakia, which also drains into the Baltic Sea basin, is expected to set up a similar bank.

Poland and Slovakia have moved much further than Russia and the former Soviet satellite nations in establishing local government bodies.

"This is essential if international institutions are going to put forward loan money for a project such as a municipal sewerage treatment plant," says Piotr Krzyzanowski, a Polish government representative working with the Baltic Sea convention.

"This is true whether it be for a soft loan or on market terms."

George Toregas, an economist with the EBRD, says it will take more than the establishment of local governments to allow loans for environment projects.

If governments such as that of Denmark and others want us to make loans on soft terms, they have to change regulations established when the bank was set up.</

## COMMODITIES AND AGRICULTURE

# Fears of frost in Brazil push coffee up to \$1,000

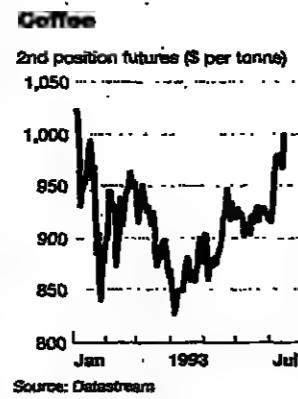
By Deborah Hargreaves

COFFEE PRICES surged ahead in London yesterday as buyers rushed to the market in fear that Brazil's crop would be affected by frost this week. London's September futures contract rose by \$48 to touch a peak of \$1,016 a tonne. But it later dropped to close at \$1,000 a tonne, the New York market became very volatile.

One private weather forecaster has estimated that there is a 50 per cent chance of frost in Brazil's Parana coffee-growing areas later today or early tomorrow. Other forecasters are more sceptical and put the chances of frost at 20 per cent or 30 per cent.

Nevertheless, coffee traders remember the devastating frosts of 1975 that almost wiped out the Brazilian coffee crop and led to a boom in prices. For that reason any hint of frost is enough to push prices higher.

Since 1975 Brazil has concentrated its plantings further north in regions less susceptible to frost. In the south, Parana now accounts for only 10 per cent of the country's crop;



Source: Datatrax

it was once the main coffee-growing state. Brazil's share of the world coffee crop has also declined so the impact of a frost on world prices could be less dramatic than in the past.

Coffee prices have been depressed by high stocks in consuming countries such as the US and Europe. Last week the price was boosted by meetings between producers over a retention scheme and the threat of a frost in Brazil last weekend.

If the frosts fail to materialise, prices could drop swiftly.

## Bangladesh jute estimate cut

By Kunal Basu in Calcutta

BANGLADESH'S 1993-94 jute crop is expected to fall short of an earlier estimate of 4.5m bales (180kg each), which was itself 500,000 bales below 1992-93 output.

The smaller crop is mainly the result of the diversion of land from jute to rice, which gives a better return to the farmers. According to Bangladeshi trade officials, more than 10 per cent of the 535,000 hectares under jute last year has been diverted to rice.

However, the use of certified Indian seeds on a large scale and adequate retting (softening) facilities will ensure that a high percentage of quality fibre is produced.

At least 75 per cent of the crop will be tossa jute, a vari-

ety that is increasingly favoured by jute mills both inside and outside the country. The balance will be white jute.

The average annual requirement of raw jute in Bangladesh is 4.8m bales, including 2.8m bales for consumption by mills, 1.5m bales for export and 1,000,000 bales for village use.

The shortfall will be taken care of by this season's comfortable opening stocks at the start of this month of more than 1m bales.

The 1992-93 jute season will, however, open with low stocks.

Trade officials think a fairly large volume of jute from Bangladesh will find its way into India through unauthorised channels because prices of the commodity are 25-40 per cent higher in India, depending on

one analyst suggested.

Exports in Cameroon estimate that the country's 1992-93 robusta coffee production will be just over half last season's level at about 45,000 tonnes, Reuter reports from Yaounde.

The Douala-based Comsul Interprofessionel du Cafe et du Cacao said 1991-92 production was 85,400 tonnes. That figure was less than the ministry of industry and commerce's estimate of 97,835 tonnes, but local industry officials said the ministry figure was subject to manipulation by exporters.

The CICC's executive secretary, Enouga Ntsumi, said all the 1991-92 crop had now been sold and forecast 1993-94 output at about 70,000 tonnes.

Cameroun cut the producer price for robusta coffee by a third at the start of this season after the government had to subsidise 1991-92 production with 8.2bn CFA francs (12m) a tonne.

Mr Ntsumi said most of the fall was normal, reflecting cyclical variation of yields from the coffee trees. But he estimated that 20 per cent was a result of farmers cutting down their trees.

## Speculators spark \$77 fall in copper price

By Kenneth Gooding, Mining Correspondent

COPPER'S PRICE collapsed yesterday as commodity funds pulled out of the market and speculative selling sent the metal down to \$1,861 a tonne in three hours.

Since early May copper has gained about \$300 a tonne and touched \$2,020, a three-month peak, on Friday. Then in the first two trading days this week it lost half about half those gains, dropping by \$46 a tonne on Monday and another \$77 yesterday.

The collapse, like the rise, was caused by technical factors but it was so spectacular that it undermined sentiment

### LME WAREHOUSE STOCKS

(As at Monday's close)

Aluminium	+14,825 to 18,250
Copper	+3,500 to 45,400
Lead	+875 to 10,200
Nickel	+2,584 to 93,369
Zinc	+1,024 to 70,250
Tin	+225 to 20,440

in other metals markets. Aluminium and nickel prices were particularly badly affected.

Mr Wiktor Bielecki, analyst at Bain & Company, part of the Deutsche Bank group, pointed out that copper's collapse originated late on Friday on the New York Commodity Exchange when there was a huge volume of selling.

The market was surprised by a rise in the London Metal Exchange's copper stocks on Friday, when a reduction was expected.

There was another rise reported yesterday, taking the total up by 11,000 tonnes to a fresh 15-year peak of 458,000 tonnes.

Nevertheless, Mr Bielecki argued that, while copper's prospects were poor for the next few months and the price might fall back below 80 cents a pound (\$1783 a tonne), present bearish sentiment was probably overdone. For example, total copper stocks represented only 6-7 weeks' consumption whereas in the previous recession they reached the 14-weeks level.

Other analysts have been revising copper price forecasts they made in January and now predict much lower levels.

Smith New Court, which predicted that copper would average 110 cents a pound in 1993, now suggests 90 cents is more likely. Warburg is also predicting a 90-cent average, down from a January forecast of 105 cents, and Ord Minnett has reduced its forecast from 103 cents to 90 cents. Billion-Benthorn Metals predicts a 90-cent average for 1993 but that was its January forecast.

The lower exports - in addition to falling international prices and severe government taxes recently implemented under Jordan's economic restructuring programme - have slashed the JPMC's net

## Indices offer confusing inflation clues

By Laurie Morse

BOND TRADERS who use commodity prices to predict inflation rates changes have had to pick their indicators carefully this year. Industrial commodity prices have for the most part fallen, while futures prices for consumer goods such as cereals, gold and softs have tended to rise.

That is good news for businesses and the US Federal Reserve Board, which aim for price stability. However, it is a puzzle to fixed-income traders who shorted bonds when inflation took an alarming swing upwards in the first quarter.

Mr John Lipsky, chief economist for Salomon Brothers, says CPI data have risen in the first four months of every year since 1989, without consistently following through for

the rest of the year. The June CPI, if it comes in on forecast, will smooth the first quarter's seasonal changes. "For now, outlook for energy prices is good, demand is not too strong, and the dollar is helping us out overseas. That gives us pretty steady outlook for inflation," Mr Lipsky said.

The calm inflation forecast seems to be borne out by commodity prices. While the Commodity Research Bureau's closely watched index of futures prices reached 20-month highs last week, it did so on the strength of soybean and precious metals prices.

Those commodities carry

very little weight in either the CPI or the producer price index. A better indicator of price inflation is the CRB's index of spot industrial commodities, heavily weighted towards scrap metals and materials like rubber and tin.

That index, in contrast to the futures index, is near its lowest levels of the year. A third, the Guidman Sachs commodity index, is in a similar position.

The two indices are moving in parallel because industrial metals and energy prices have been linked together this year. Economists say it will take an upward turn in the broader indexes to predict a shift in inflation expectations.

## Jordan cultivates phosphates exports

James Whittington on the industry's moves into wider markets

DESPITE a depression in the world market for phosphates and potash, Jordan is proving to be a remarkably resilient exporter.

Jordan Phosphate Mines Company, which is majority owned by the state, last year captured 15.3 per cent of world phosphate exports, making it the number two exporter of phosphate rock, behind Morocco and overtaking the US. Potash sales in 1992 were up to 3.24 per cent of total world exports. Furthermore, Jordan's mining sector is rapidly changing to meet the demands of the market and it seems set to become a big producer of complex fertilisers and chemicals by the end of the century.

JPMC's phosphate exports fell from 6.4m tonnes in 1991 to 4.2m tonnes in 1992 - in line with a 37.7 per cent drop in world exports of phosphate rock in 1989-92 and the collapse of the company's traditional eastern European markets. The company's exports picked up slightly to 4.3m tonnes last year, and results for the first half of this year suggest that a similar figure is likely for 1993.

The lower exports - in addition to falling international prices and severe government taxes recently implemented under Jordan's economic restructuring programme - have slashed the JPMC's net

profits almost seven-fold over the past four years. Last year the company registered a net profit of only 16.1m Jordanian dinars (\$22.8m) compared with JD33.1m in 1991 and JD10m in 1992.

However, JPMC's general manager, Mr Thabet Taher, brushes aside any talk of doom and gloom. With a gradual shift of trade towards the rapidly expanding Asian markets, and two major joint ventures for the production of phosphate-based fertilisers and phosphoric acid already signed with Indian and Japanese companies, he is optimistic about the future.

Contracts with India have partly replaced the loss of eastern European markets. Despite distortions in India's demand for fertiliser, caused by the government's recent abolition of price controls, Jordan shipped 1.5m tonnes of phosphate to India last year - making it JPMC's biggest client. In 1991, a \$150m joint venture was signed with India's Southern Petrochemicals Corporation to produce an annual 200,000 tonnes of phosphoric acid for the Indian market. A new processing plant with 60 per cent Indian and 40 per cent Jordanian equity is due to begin operations in 1995 and, according to Mr Taher, Indian demand may be increased to 400,000 tonnes.

The lower exports - in addition to falling international prices and severe government taxes recently implemented under Jordan's economic restructuring programme - have slashed the JPMC's net

last year with a Mitsubishi-led consortium of four Japanese companies that will take a 60 per cent share in a \$60m compound fertiliser plant. JPMC and Arab Potash Company (APC), Jordan's other main exporter, will each have a 20 per cent holding. Under the agreement, a new plant, due to open in 1995, will produce 300,000 tonnes of compound fertiliser by 1999 and 2.2m tonnes by 2000.

George Wiprey International is the contractor. In addition, a \$600m Dead Sea chemicals complex is due to begin operations in 1996. It will produce bromine derivatives, magnesium oxide and potassium-based fertilisers.

APC's managing director, Mr Ali Yousef Ensour, explains that loans of \$31m from the World Bank and the Jeddah-based Islamic Bank for Development have so far been agreed upon. Additional funding is expected to be raised by APC and foreign investors. Two US companies, Ethyl Corporation and Great Lakes Chemicals, are assisting with the technical side of the project.

With the abundance of raw materials and the unique saline composition of the Dead Sea, Mr Ensour says he is confident the complex will put Jordan on the map as a highly competitive chemical producer in addition to its phosphate and potash exports.

But APC has seen its profits

## French farmers expected to break seed limit

an agriculture ministry official said.

DEFINITIVE FIGURES are expected in early August when farmers' applications for European Community direct aid payments are registered. According to ministry projections, France is likely to have exceeded by \$22,000-48,000

hectares its 1988-91 reference area of 13.52m hectares, which was set as a limit under the EC's new farm system.

EC members decided last May to shift the focus of their Common Agricultural Policy from price support to direct aid to farmers in an effort to cut their huge surpluses of

food.

The grain, oilseed and protein-seed excess is likely to be made even worse next season as more farmers choose to join the scheme.

Only 539,000 farmers sent their applications for direct aid instead of the 745,000 expected, an official said.

## MARKET REPORT

The collapse in the copper market (see story above) undermined sentiment in the other London Metal Exchange contracts to varying degrees. The next biggest loser was ALUMINIUM, which added \$31.25 to Monday's \$27 fall to close at \$1,16.25 a tonne in the three months position.

Traders attributed the fall to nervous liquidation, which gained momentum after support at \$1,200 was broken. ZINC reversed the recent upturn with three months metal closing \$9.75 down at \$965.50 a tonne and NICKEL's continuing decline was exacerbated by news of a fresh increase in LME

### London Markets

**SPOT MARKETS**  
Crude oil (per barrel FOB/Aug) + or -

Brent \$14.64-4.87 +0.05  
Brent Blend (sd) \$16.85-7.00 -0.175  
Brent Blend (Avg) \$17.00-7.05 +0.155  
WTI (1 pm est) \$18.20-6.25 -0.175

Oil products

PXNE prompt delivery per tonne CIF + or -

Promax Glaxoline \$195-199 +0.05  
Gas Oil \$162-163 +0.2  
Heavy Fuel Oil \$80-82  
Kerosene \$186-189 -1.5

Petroleum Aromatic Estimates

Gold (per troy oz) \$363.00 -0.3  
Silver (per troy oz) \$50.5 -6  
Platinum (per troy oz) \$402.05 -0.25  
Palladium (per troy oz) \$363.75 -2

Copper (US Producer) 90.0c -1  
Lead (US Producer) 49.5c  
Tin (Kuala Lumpur market) 12.90m -0.04  
Zinc (New York) 23.5c  
Zinc (US Prime Westend) 65.0c

Cut-off five weight 135.85p -2.72  
Sheep (per weight) 99.50p -1.15  
Pigs (per weight) 81.75p -1.73

London daily sugar (raw) \$265.8 -10.2  
London daily sugar (white) \$264.0 -10  
Tate and Lyle export price \$264.0 -6

Barley (English feed) Unq  
Malt (US No. 3 yellow) Unq  
Wheat (US Dark Northern) \$147.00

Rubber (Avg) 50.00p  
Rubber (Soy) 59.50p  
Rubber (NL RSS No 1) 20.5m

Coconut oil (Philippines) \$465.00  
Palm Oil (Malaysia) \$292.5  
Soybeans (US) £189.0y -3  
Cotton "A" Index 58.50c +0.4  
Wool (6s Super) 35c/p

C per tonne unless otherwise stated. P-previous/kg  
C- current, f+/- change y- year ago  
u- up, d- down, x- up/green, W-weak/pink, S- strong/green

\*\*Sheep prices are now five weight prices  
change from a week ago, provisional prices

warehouse stocks. The GOLD market began with a test of support at \$390 a troy ounce following an overnight wave of selling by Japanese trade houses. But the subsequent recovery to \$393.75 an ounce, down 30 cents on the day, at the London bullion market close showed that there was "good physical demand on the dips", said one dealer. "Investors are happy to take profits at about three to four dollars above the market, while shorts are covering at around \$390 and there are plenty of stops [stop-loss orders] just below that," he added.

Compiled from Reuters

### MINOR METALS PRICES

COBALT - LME (per tonne)

Close	Previous	High/Low
724	728	718 728
728	725	725 725

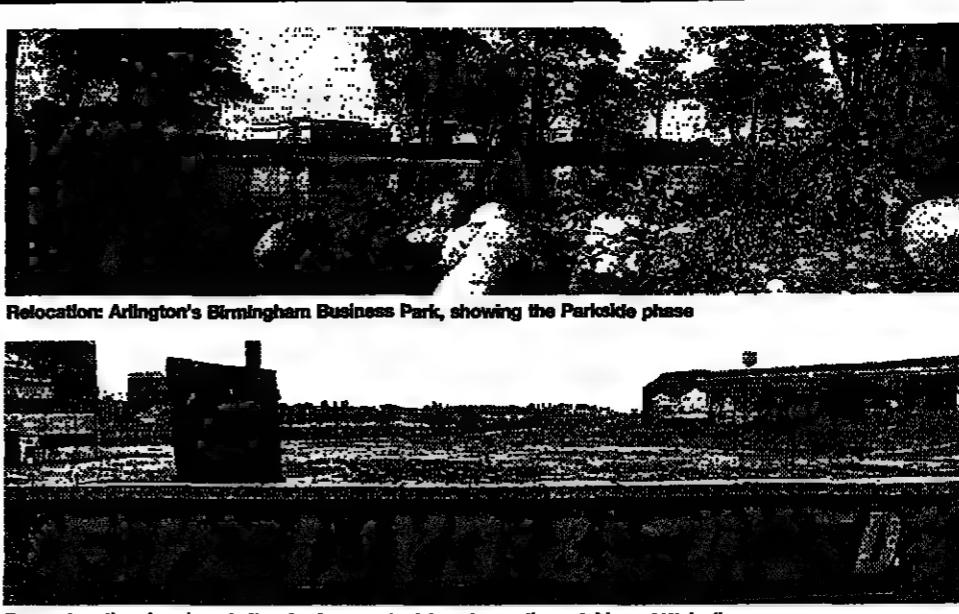
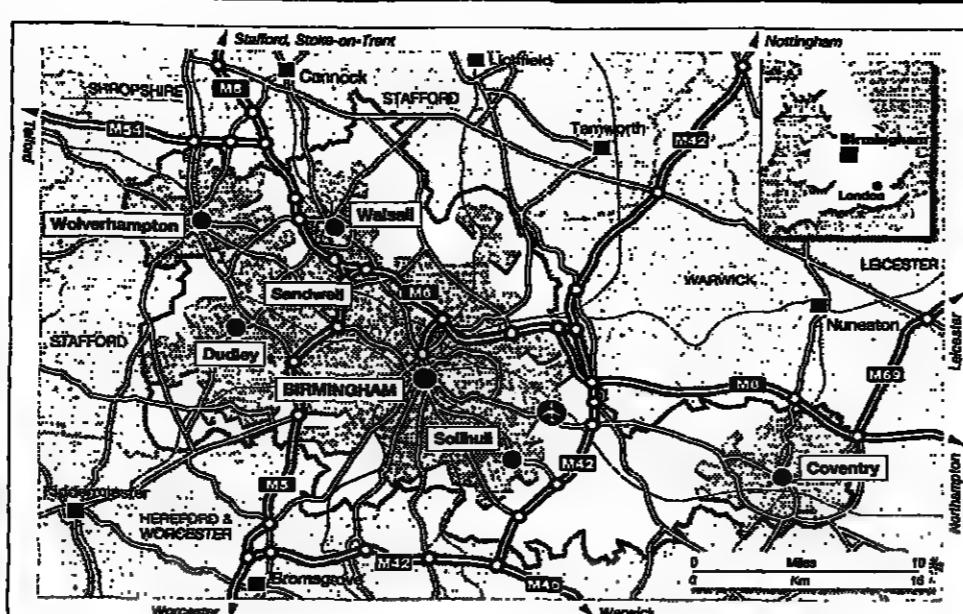
## FINANCIAL TIMES SURVEY

**BIRMINGHAM AND WEST MIDLANDS**

Wednesday July 14 1993



Redevelopment: Birmingham's Bullring is to be rebuilt. Picture: Trevor Humphries



Relocation: Arlington's Birmingham Business Park, showing the Parkside phase



Recession: the abandoned site of a former steel foundry on the outskirts of Walsall

**T**HE fundamental question about the West Midlands is not whether the regional economy will revive after recession. That revival, in erratic fashion, has started. Rather the question is whether the second recession in 15 years has pushed the economy towards atrophy.

The difficulties of recent years, coincident with changes in government policy, the closer integration of the European Community economies and growing social pressures, especially in the urban areas, accentuate undercurrents of concern about the longer term future.

The immediate prospects are for modest growth. In broad terms, the flow of orders began to revive in the early months of the year; business confidence has risen to the highest levels for three years in expectation that the pressures on profitability will be relieved.

But at the same time, the downturn in the European economies has blunted the thrust of recovery which, in any case, was off a low base. Three quarters of companies are working under full capacity, according to the latest calculations of forecasters at the Confederation of British Industry and Business Strategies.

Economists, then, are cautious about regional growth.

**Step by cautious step to recovery**

The region is reviving, with its industrial competitiveness enhanced by devaluation. The services sector has suffered a shake-out, but growth is expected to resume. Paul Cheeseright reports

latest recession, was slower in the West Midlands than elsewhere in the UK.

Considering the region as a source of wealth, however, the future may be brighter than the employment prospects suggest.

The UK government has recently switched its rhetoric to stress the importance of manufacturing - after a decade of verbal indifference. Government tax policy has latterly followed lines approved by, for example, the regional Engineering Employers Federation.

Whether there exists the ability to take advantage of this new place in the political and economic sun is the wider question.

It bears on the suggestion of economic atrophy. Geographically the region has no particular advantage; it may be at the centre of the UK, but it is on the periphery of that area of European vigour stretching from northern Italy, through

Germany and France, to

relatively low in the West Midlands. Of particular concern is that several of the older manufacturing areas appear to lack access to the higher level skills required for the modernisation of the region's industries," the Forum says.

In fact, skills shortages never wholly disappeared - even during the recession - and there have been indications in recent surveys that skills shortages have begun to return as the economy revives. Corporate training budgets were recently pruned during the recession. The training and enterprise councils which now stimulate and oversee much of the industrial training are too recent to have made a lasting impact.

There is also a social element to the question. In general, the areas which need the jobs most, because of their high unemployment, are the areas where employment

opportunities have diminished.

The wards with highest unemployment are those of the inner cities. But the Birmingham City Council economic development department has drawn attention to the way in which job opportunities declined in the inner city, while increasing in the outer.

Between 1984 and 1991 total employment in the Birmingham outer city grew 4.2 per cent, but declined in the inner city by 7.4 per cent, largely because of the scale of change in the motor vehicle industry.

Planning policy and official funding is directed towards redressing that balance throughout the Birmingham-Black Country conurbation.

The effort is to renew tired and derelict inner city areas so that more employment opportunities will emerge and more people will be trained to take advantage of them.

Hence the existence of two urban development corpora-

tions in the Black Country and east Birmingham, and four City Challenge areas in Birmingham, Sandwell, Walsall and Wolverhampton.

Hence the appeals to government to retain assisted area status, able to receive regional and industrial development subsidies. Hence, by contrast, the fevered publicity, asserting how marvellous is the region and the cities in it.

Yet the pressures for develop-

ment on the green belt, the steady flow of tenants into business parks on the edge of the conurbation and the movement of companies to greenfield sites, in areas such as Telford, testify to a drift of corporate activity away from the inner city areas of the region, rather than towards it.

Working through this mix of overlapping problems - inherent skills shortages and a lack of jobs where jobs are needed most - will be of the first importance to the development of the region into the next century.

But if their solution is at least partially dependent on the level of economic activity, there are encouraging factors. • The competitive position of

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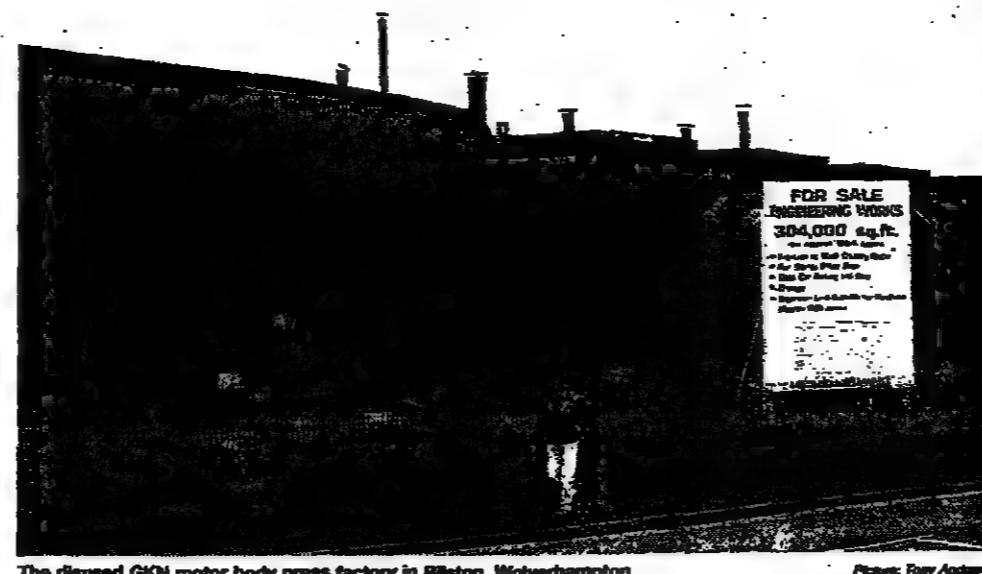
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## BIRMINGHAM AND WEST MIDLANDS 2



Cannon Industries in Wolverhampton



The disused GM motor body press factory in Ellesmere, Wolverhampton



Stacks of steel in transit from stock

Paul Cheeseright finds manufacturing industry beginning to pull out of the second recession in 10 years

## Quite a lot of catching up to do

INDUSTRIAL groups in the region mostly show improved profits, as the economy starts its move out of recession. But the higher level of earnings usually owes more to the cost savings brought about by retrenchment and higher productivity than to recovery of demand.

In short, manufacturing in the West Midlands is emerging from its second bout of severe surgery in 10 years. The recession of the early 1980s set off a slimming-down process, as companies came to terms with bloated costs and began to change their market positions. Manufacturing employment continued to decline even when the national economy was at its strongest during the second half of the 1980s. The 1990s recession accelerated an already established trend.

Cambridge Econometrics, consultants, calculated a 12.2 per cent fall in manufacturing employment in the West Midlands between 1980 and 1983 and forecast a further decline of 6.2 per cent - 35,000 jobs - between 1983 and 2000.

But such forecasts do not imply any diminution in the importance of manufacturing to the regional economy. Indeed, technological change and increased investment, leading to higher output, generally need fewer people to do the work. In any case, manu-

WEST MIDLANDS MANUFACTURING: A regional perspective					
	1980	% of UK output	1990	% of UK output	Source: Albert E. Sharp
All manufacturing	1.3	11.2	1.5	11.2	Location quotient
Motor vehicle and parts	2.0	26.2	3.4	30.5	% of UK output
Mechanical engineering	1.4	11.5	1.7	14.0	
Other metal goods	3.7	31.6	3.4	26.5	
Metal manufacture	2.3	19.0	2.2	15.7	
Manufacture (Non metal minerals)	2.5	16.5	3.8	18.1	

SEASONALLY ADJUSTED UNEMPLOYMENT IN THE WEST MIDLANDS AND UK IN MAY 1993					
	Males	% Females	% Total	%	Source: HMEP Labour Market Bulletin
W Midlands	216,500	14.5	65,808	6.2	282,300
UK	2,238,900	14.0	574,900	5.8	2,813,800
	10.4				

Source: HMEP Labour Market Bulletin

faturing still accounts for 33.1 per cent of regional gross domestic product, against a national average of about 25 per cent; and for 29.1 per cent of total employment.

The accompanying table demonstrates that the West Midlands' traditional role as the industrial heart of the UK has not been eroded by the economic difficulties since 1980.

According to the Confederation of British Industry, the most important sectors in terms of output are: electrical engineering, motor vehicles and mechanical engineering.

But the regional figures disguise the signal importance to particular localities of particu-

larity: ceramics to Stoke-on-Trent; crystal to the Brierley Hill area of the Black Country; electronics - latterly - to Telford; leather to Walsall.

Notwithstanding such specialised interests, there have been significant changes in the industrial structure. The latest surveys of both

the disappearance of basic steel-making from the region on the one hand, and the gathering power of the automotive components sector on the other.

But the immediate market prospects for realising this potential are not encouraging. During the 1980s, the large and medium-sized engineering groups, especially, built up positions in continental European markets to such a successful extent that they were protected from the first impact of the domestic recession.

The latest surveys of both

the Engineering Employers' Federation West Midlands, and the regional group of the Chambers of Commerce, showed that increased demand for manufactured exports, apparent in the first quarter of the year, had flattened out in the second quarter.

While the devaluation offered Midland manufacturers an immediate competitive stimulus, the effect was limited.

First, the downturn in continental European markets, especially Germany, reduced demand. Second, European customers generally demanded a share of the margin gain which the devaluation offered exporters.

Third, the combination of these two factors increased pressure on export prices, rather than relieved it.

Fourth, there is now some evidence that imported material costs are rising.

All this has meant that the movement towards recovery

has been slow, and is likely to remain dependent - at least for the rest of this year - on the Far East and dollar markets and on the domestic market.

Both survey and corporate reports suggest that there has been recovery in both these market sectors.

Corporate fortunes are unlikely to improve dramatically except when cost reductions flow through. All the available measurements point to industry working well beneath capacity.

The chamber of commerce report that only 14 per cent of manufacturing companies are working at full capacity - 48 per cent are under 50 per cent capacity.

Given, too, that the recession has led to reduced investment, there is bound to be some catching up to do before the full potential of higher valued-added manufacturing can be realised.

The opportunity is available. The arrival of Honda, Nissan and Toyota has

start buying more of their components in the UK, again widening the potential market for Midlands manufacturers.

Against the offsetting factors, confidence in the manufacturing sector has risen. More companies are confident about future trends of turnover and profitability than for the last three years. But the striking point about recent business surveys is that confidence is related to future rather than actual performance.

Once recovery takes hold, manufacturers will have to contend with skill shortages. Price Waterhouse, in association with the Warwick and Wolverhampton Business Schools, has already detected the first signs, warning that "a real skills shortfall could be in prospect when the recession ends finally, and it could have a serious impact on our competitiveness. Lack of fundamental reskilling policy during the recession will be to blame."

stances this bears down critically on the smaller businesses whose lack of physical assets causes the clearing banks to exercise even greater caution.

As the debate about funding a way out of recession has continued, attention has increasingly been paid to devising financial mechanisms for aiding small companies with soft loans; for addressing financial problems where £30,000, not £50,000, is the difference between survival and expiry. Thus the Walsall Enterprise Agency, backed by a finance house, is setting up a loan fund, modelled on the earlier experience of Sandwell, and Birmingham Settlement, a voluntary group, is planning a community investment bank.

It is difficult, however, to measure the significance of Birmingham as a financial centre. While the city is the hub of the region, it is not automatic that businesses in Coventry or Stoke-on-Trent will look to Birmingham for services - as opposed to, respectively, London or Manchester.

This uncertainty about its own position pushes the Birmingham financial community out of self-interest to support the city council's attempts to make Birmingham a cultural centre and to make the centre of the city more accessible.

There are local claims that Birmingham is the UK's second largest centre for financial services - a claim that is repeated in half a dozen other cities. It has its strengths as a regional centre (as Manchester Business School established in a 1991 study); for example, in corporate stockbroking through Albert E. Sharp, Smith Keen Cutler and Sharelink, and in the provision of legal services through partnerships such as Eversheds, Edge & Son, Wrangs and Pinsent.

Manchester Business School makes the point that the Big Six accountancy practices employed more people in Birmingham than in any other regional centre, but concluded that "Manchester is the biggest regional centre in terms of overall employment in banking, finance, insurance, business services and leasing."

Paul Cheeseright

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## BIRMINGHAM AND WEST MIDLANDS 3

Stewart Dalby investigates a skills problem

## Need to train more precisely on target

THE West Midlands region is typical of the skills mismatch which bedevils much of Britain. Even in recession, companies report difficulties in acquiring the skilled labour they need.

Sandwell demonstrates the problem. In this urban district in the Black Country, 45 per cent of the workforce is employed in manufacturing. Ethnic minorities account for 25 per cent of the population. Mr John Bedingfield, chief executive of the Sandwell Training & Enterprise Council (TEC), says that companies tell him they need to find skilled labour - yet 20,000 people, 17 per cent of the workforce, are without jobs.

Asked how many of these would be unemployable even in a buoyant economic climate, Mr Bedingfield replies that it is impossible to say. "I'd like to think that no-one, or at least very few people are unemployable. But it is important to establish where education ends and training begins. Some young people in the area have low education attainments and aspirations. It is a question of teaching them interview techniques, showing them how to make out a curriculum vitae, motivating people who have never had jobs. Only then can you think about specific vocational training."

Youth training is either through an approved training provider or a job

Sandwell TEC is tackling training through two programmes it inherited from the government's training agency: the youth training programme, and employment training for adult long-term unemployed.

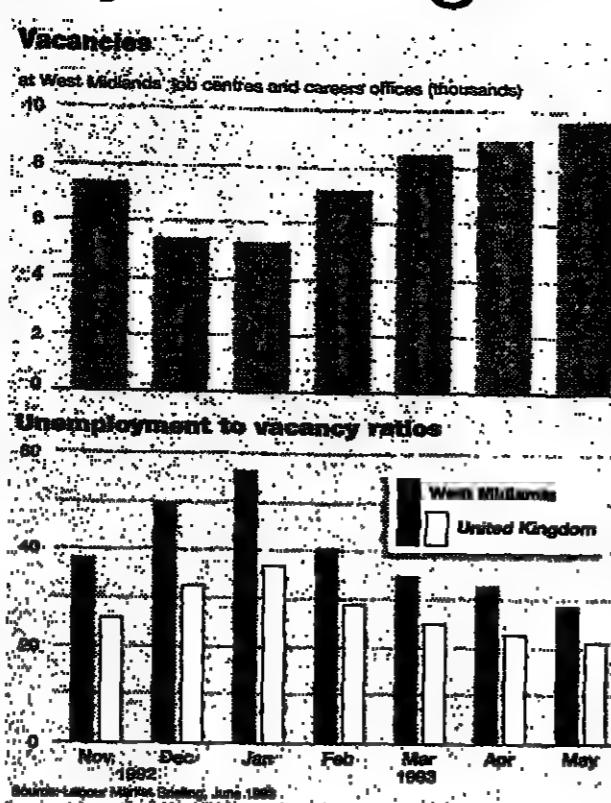
Youth training includes a system for the financial support of young people of 16 and 17 upwards. The programme gives them training over two years, either through an approved training provider, or (ideally) a job. The hope is that the trainees will achieve a national vocational qualification.

For adult returners, the period of training is usually shorter, up to six months. There are about 3,000 people on the two schemes.

Over 80 per cent of Sandwell TEC's budget of £11.5m is allocated to these two projects. But there are many other schemes - Investors in People, for example, in which companies make a public commitment to develop their employees to achieve business objectives, and give counselling in schools.

Mr Bedingfield says: "More precise targeting is the key to training: we are in close touch with 70 companies and try to match training to their needs."

Sandwell is one of 10 TECs in the West Midlands; the biggest is Birmingham TEC, which has a £50m budget from the government. The Birmingham TEC, like the others, was set up (in 1990) to manage and develop the Department of Employment's training programmes for young people and adults and to support new and



developing businesses. The TEC has refined the youth training programme into a system of credits. A printed voucher is issued to a young person, enabling him or her to pay for up to 104 weeks of training. Vouchers can only be cashed with an employer or training provider approved by the TEC.

The Employment Training (ET) programme has been renamed Training for Work; an initiative aimed at the adult long-term unemployed. Those eligible must be between 18 and 60 and unemployed for 6 months, but the programme also includes people with disabilities; ex-regular members of the armed forces; people whose first language is not English; people requiring literacy and numeracy training; returners to the labour market and victims of large scale redundancies.

Training for Work enables older people to get vocational qualifications

The TEC claims that this broader scheme is better than the old ET because it stops "skills leakage" - that is, people who, made redundant, then join the long term unemployed. It also enables older people, not merely school leavers, to acquire vocational qualifications.

Training for Work provides intensive vocational training (usually up to 34 weeks) aimed at achieving a national vocational qualification (NVQ).

Birmingham TEC has 5,600 on its youth credits training scheme and between 8,000 and 9,000 on Training for Work. It claims that both are successful. In 1990-91, 1022 participants achieved an NVQ at level 2. In the following year the figure had more than doubled to 2443.

Birmingham TEC believes that it is well on the way to meeting national education and training targets: 80 per cent of young people to have a

## Unemployment statistics analysed

## Some worrying trends

Nobody is quite sure why there was a fourth successive monthly fall in the West Midlands unemployment figures in May. In fact - surprisingly, given the level of business - the employment position looked more cheerful than for over a year.

More cheerful, that is, because the unemployment position had ceased to deteriorate. Analysis by the West Midlands Enterprise Board shows that over the period between November 1992 and May 1993, unemployment across the region fell by 1 per cent.

At the same time there have been some more job opportunities. The rough measurement of the unemployment to vacancy ratio (reached by dividing the number of jobless by the number of job centre and careers office vacancies) fell to 29 in May from 32.7 in April. The national ratios were respectively 21.1 and 23.

The figures are surprising because, as Mr Martin Booth, the WMED's chief economist, says: "One would have expected a stronger output rise before unemployment declines." But he also notes that, traditionally, "the West Midlands goes deeper into recession than the national economy and, when it comes

out, it comes out faster than the national average."

The difficulty is that the overall figures contain some damaging trends. Not least among them is the high proportion of those who have been without jobs for more than a year and are thus classified as long term unemployed. This proportion has increased in regional terms to 38.5 per cent

Unemployment in the region during May was 282,300: 11.1 per cent

of the May 1993 total unemployed from 36 per cent in October 1992. The national average is 35.8 per cent.

Once the long term unemployed percentages are narrowed down, sharp differences emerge within the region. The area with the highest percentage is that of the old West Midlands county - the Birmingham-Black Country conurbation with Solihull and Coventry. Here the proportion is 43.8 per cent - compared with 29.3 per cent in Shropshire, lowest in the region.

A second series of damaging statistics comes from the absolute numbers when they are broken down to ward level. A second series of damaging statistics comes from the absolute numbers when they are broken down to ward level.

Paul Cheeseright

BIRMINGHAM promotes itself as a "truly international city" at the heart of a economically reviving West Midlands region. What exactly does this mean?

Mr Bob Moore is a former banker who is now the chief executive of Birmingham 2000, a pressure group representing 250 companies in Birmingham. It wants to develop Birmingham as a business centre on a European and world-wide basis.

Mr Moore says: "The West Midlands is attempting to revive economically by attracting new investment in industry. If we are to further this, we have to make Birmingham a city to which foreign business want to come and work. We must have the full range of professional services and cultural attractions, so the potential investors do not feel they have to operate out of London. That is what we mean by creating an international city."

The West Midlands has been successful in attracting nearly 900 foreign companies in the past decade to places such as Telford, Redditch, Coventry and Birmingham. The attraction has been partly the perception of a skilled workforce, partly the assistance on offer; but mostly, the good location.

The West Midlands is at the heart of Britain's motorway network. The opening of the final stretch of the M40 motorway from Oxford to Birmingham in Jan 1991 eased the pressure on the M1. The 27-mile northern relief road will be a privately-run toll road) will provide motorists with an alternative to the heavily congested Midland section of the M6, from junction 4 at Coleshill to junction 11 at Lacey Green.

The motorway infrastructure has also meant the development of a distribution/warehouse nexus in the so-called "golden triangle" of the M6, M1 and M42/A42.

From this area, 75 per cent of the UK population can be served within a 4 hour drive time, according to Chesterfield, the estate agent. This makes it ideal as a national distribution centre; the warehouses of Toys R Us, Asda, Toyota and Jacobs are in the area.

The city of Birmingham has improved its internal infrastructure. Mr Alan Wrenham, manager of the NEC, feels it is especially important in an area such as the West Midlands, which depends on advanced manufacturing to do something for those with jobs. He says: "There is a need for employees in engineering and electronics continually to upgrade their skills."

Accordingly, the Birmingham TEC has introduced a number of programmes for those in work.

The Weekend College programme is thought to be unique to Birmingham. This gives vouchers, worth £80, to adults with no skills or low skills, enabling them to go to college for a certain number of weekends, to upgrade their skills or learn new ones.

More significantly, perhaps, Birmingham TEC has launched a Skills Investment Programme which brings together employers in eight different sectors of employment. Together with the TEC, employers research a sector's needs. Initiatives for employers - either on site, or elsewhere - follow.

Mr Freeman says: "These programmes make a start on what has become known as 'up-skilling.' But what is really needed is a national strategy to meet the changing needs of industry."

Roads, air services and Birmingham's infrastructure have improved

## Take an international spin

Smith, assistant director of planning at the city council, says: "It was obvious to us in the 1970s that the city centre was letting us down."

An inner-ring road had acted as a straitjacket around a tiny city centre. The city council has managed to bring break open the straitjacket by lowering the road and building a pedestrian bridge linking the civic centre of the city with Centenary Square and the International Convention Centre. Elsewhere, around the inner ring road, pedestrian crossings have slowed the traffic down.

You can now walk from Centenary Square through the civic quarter, past the library and museum, as far as the newly pedestrianised New Street, passing a number of bistros and wine bars on the way.

The effect of breaking open the road has created a bigger city centre which includes the Jewellery Quarter, the Gunsmiths' Quarter, and the Chin-



A more leisurely pace: Birmingham's canal system. Photo: Trevor Humphreys

Birmingham still has a bad traffic problem. City planners have decided that there is not enough road capacity for all the traffic seeking to use it. The cost of congestion to the West Midlands economy has been put at £500m a year.

A metro or tram system is thought to be the solution. Metro Midland Line 1 will run from Birmingham Snow Hill to Wolverhampton. The capital cost will be £150m, some of it coming from the government, some from the EC. Part would come from the private sector.

A second line from the city centre out to the airport is costed at £250m, and plans for a third line are well advanced.

It was hoped that work could start in 1994, but Birmingham will have to wait. The starting date is now likely to be 1996.

Birmingham's international airport has not matched Manchester airport's growth - partly because Birmingham is that much closer to London, but also because civil aviation policy specified the growth of

Birmingham's expanded airport now serves 37 destinations in the UK, Europe and the US.

Manchester as England's largest airport. But Birmingham airport has expanded rapidly. It now handles nearly 4m passengers and serves 37 destinations in the UK, Europe and the US.

Mr Bob Taylor, managing director of Birmingham International Airport says: "Business travellers found it easy to go to the London airports if they wanted to fly to the US. I feel a landmark was reached in March when BA started its daily flight from Birmingham to New York."

"We are not trying to keep up with Manchester, but I feel more and more business people will want to use Birmingham as a starting point."

Stewart Dalby

In Telford, it's as easy getting people to work as it is getting people to work.

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## BIRMINGHAM AND WEST MIDLANDS 4



The Hyatt hotel and the International Convention Centre (right, far distance), seen across the bridge to Centenary Square

Picture: Trevor Hopgood

Inward investment has been impressive, reports Stewart Dalby

## A good place to be

The 1980s was a good decade for inward investment in the West Midlands, a region covering the shire counties of Shropshire, Staffordshire, Hereford, Worcester and Warwickshire, and the seven metropolitan areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

When the West Midlands Development Agency (WMDA) was established in 1984 it was attracting 4 per cent of total inward foreign investment to the UK (measured in terms of projects). By 1990 the West Midlands was drawing 24 per cent of the UK total – a level matched only by Wales. Nearly 900 foreign companies had invested a cumulative total of £10 billion in the area.

Domestic relocations and expansions are more difficult to quantify because the WMDA deals only with foreign investment. But Mr Chris Tillett,

senior economist at Coopers & Lybrand in Birmingham, estimates that the foreign investment would easily have been matched by domestic relocations, start-ups and expansions.

Telford, a new town corporation until 1981, was at the forefront in attracting foreign companies. Using liberal government financing and aggressive marketing it attracted 120 foreign companies into the town – and 1000 relocations or start-ups.

Thirty-three of these companies came from the US, including Johnson Controls and Fruit of the Loom. Twenty-four were Japanese, including NEC Technology and Makita, a power tools concern.

Other parts of the West Midlands also did well. In Wolverhampton, the Connecticut-based Elm Energy and Recycling is building a \$36m waste tyre to energy power station in Scotland.

The attractions have been: good central location in the middle of the UK; and the perception of a skilled labour force and the availability of modern greenfield, B1 light-industrial factories and offices. While manufacturing and new high-technology industries have gone, on the whole, to business parks, some attached to the six universities in the

area wanted to be in Europe before the single market of 1992. These large investments are not going to come along again. It is now a question of finding smaller companies from places like Taiwan."

The British government is redrawing the regional assistance map. There is a distinct possibility that Telford will lose its development status and that areas in the south-east, in Dorset, Kent and East Sussex, will receive assistance. This will probably mean more development agencies chasing mobile investment.

Mr Rogerson says: "At the moment we are competing with about 100 agencies domestically, and something like 1,000 internationally. When we launch an initiative in Japan we often find ourselves following a group of Dutch people around, who stress how well they speak English. English speaking countries are attractive to Japanese businesses because they have a low level of competence in other European languages."

Mr Tillett agrees with Mr Rogerson. He says: "Most of the big players such as Toyota and Nissan are in the UK. The West Midlands needs to continue as a manufacturing centre because there are not enough service jobs to go round. It is a question of 'upskilling' and attracting small high-technology companies and automotive component concerns. These will often be joint ventures."

Mr Paul Richards, chief executive of WMDA, agrees that the going is getting tougher. But he believes that the West Midlands could enjoy another good decade of inward investment – it will be different kinds of investment.

He says: "We will be looking for smaller companies which will be involved in international strategic alliances, technology transfer arrangements, joint ventures for research, and so on. I believe the diversity of the industry we have built up will help us. We never got the humdingers, like Toyota, which went to the east Midlands. But with our skills base we attracted a broad range of industries from automotive components to electronics to food processing."

Great emphasis is placed on attracting automotive components companies – partly because Toyota, near Derby, will provide a ready market for them.

A favourable sign came last month when Johnson Controls announced that it is to become the first tenant on the Black Country Development Corporation's new 115-acre Automotive Component Park. The US-based company is making a £10m investment which will create 160 new jobs. The development corporation is hoping that this move is the first of many.

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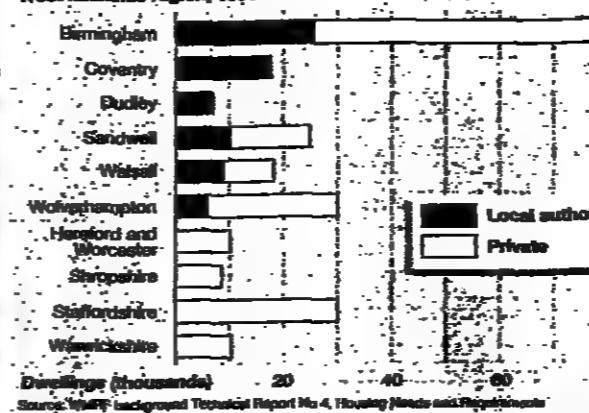
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## Incidence of unit dwellings

West Midlands region, 1991



Source: Ministry of Agriculture, Fisheries and Food



The town centre of Solihull

Hazel Duffy examines the region's urban renewal programmes

## Need is not always enough

THE Government's efforts to enhance the West Midlands urban canvas sound generous: two urban development corporations; four City Challenges; a new Housing Action Trust; Estate Action; City Grant totalling £25m; derelict land grant amounting to £20m.

Such is the heritage of physical neglect, however, and the social problems associated with a neglected environment, that even this panoply of schemes cannot transform a highly urban region.

For nearly 200 years, the swathe of towns that grew into the West Midlands conurbation has been the scene for coal mining, minerals extraction, metal smelting and manufacturing. They have not just left their scars above the ground. All the many phases of industrial workings have left their mark below the surface.

Fortunately, with each new discovery of the horrors that

in the Black Country nearly 2,000 private sector new houses have been built on reclaimed sites, but extensive reclamation is costly

were left by industry, new methods of dealing successfully with the problem are being worked out.

In the Black Country, for instance, nearly 2,000 private sector new houses have been built on reclaimed sites. In the east Birmingham area about 500 new houses have been built or are about to be started; sites are being prepared for another 500.

In Stoke-on-Trent, a complex of offices, retail, leisure and industrial development covers parts of the once derelict site which was reclaimed for the Garden Festival. Derelict land in the Stoke ribbon of urban development has been dealt with steadily over the years. Much of the land, however, has been greened, because reclamation of land for redevelopment is much more expensive.

The city is now coming to terms with the urgent need to assemble packages of land to be made suitable for industry. This will depend on successful deals being worked out with the owners – which include industry, the utilities and British Coal.

The motivating factor in restoring derelict and run-down tracts of land is this need to be able to offer new sites for potential incoming companies, and for existing companies to expand. While developers keep up pressure to bite into green belt land, the towns and cities in the region must find alternative urban sites. Without this land, prospects are poor for towns and cities being able to provide urban living standards better than now.

Packaging sizeable sites can be a lengthy and costly procedure: existing users must be bought out and relocated. In the current climate, developers and financial institutions are sceptical – unreasonably – about the finished product. The abandonment by the government of the proposed contaminated land register, at least for the time being, has not allayed the private sector's fears.

The Black Country Development Corporation, set up in 1987, is finding the costs of extensive reclamation more than it can afford. Funding has been cut back sharply in the government squeeze on public spending. Increasingly, unclaimed sites are being put up for sale accompanied by a site investigation report, leaving the developer to carry out the reclamation.

Birmingham Heartlands Development Corporation, set up in 1992 to cover part of east Birmingham, is likely to adopt a similar course on the site it bought as part of the Leyland Daf rescue. The Black Country spine road, now under way, will provide much better access to sites such as that of the old Patent Shaft steelworks, once planned as a huge shopping mall redevelopment, now offered as an automotive components industrial park.

## URBAN REGENERATION

Expenditure by department of the environment in West Midlands region

Local authority	Allocation/Expenditure £m	Allocation/Expenditure £m
City grant	3,626	8,020
Derelict land grant	22,210	20,600
City action team spec. budget	0.427	0.410
Urban development corporations	67,480	72,000
City challenge	8,250	29,600
Task forces	3,059	2,6452
Urban Partnership fund	3,576	0,828
Contested area fund	146,508	165,416

Notes: 1992 figures are estimated; current figures have been used where available.

2000-01 figures are at assessment.

Local authorities are at assessment.

UDC figures relate to Black Country spine road and expenditure of receipts.

keep pace with the problem.

The quality of life in much of the region's urban areas is poor. East and west Birmingham health authorities have described their territories as among the unhealthiest places in the UK. The number of households with at least one person suffering from long term illness is nearly 30 per cent higher than in a Warwickshire village. In the Black Country's Sandwell district, a new worry is the high incidence of diabetes among people with ethnic minority backgrounds.

The quality of the environment is part of the quality of life. Nobody has given it a high priority in the predominantly urban West Midlands.

That is just beginning to change. Birmingham has shown that it is possible to improve the urban environment, at least in the centre of the city.

A new report\* prepared by

## West Midlands' industrial competence will go unrecognised in the wider world unless it deals with related environmental issues

the West Midlands Forum of local authorities calls on other towns and cities in the region to follow the Birmingham example in a campaign to make the region more attractive.

This is just one of the recommendations in a report to the European Commission which aims to convince the West Midlands that its industrial competence will go unrecognised in the wider world unless it addresses a number of related environmental and economic issues.

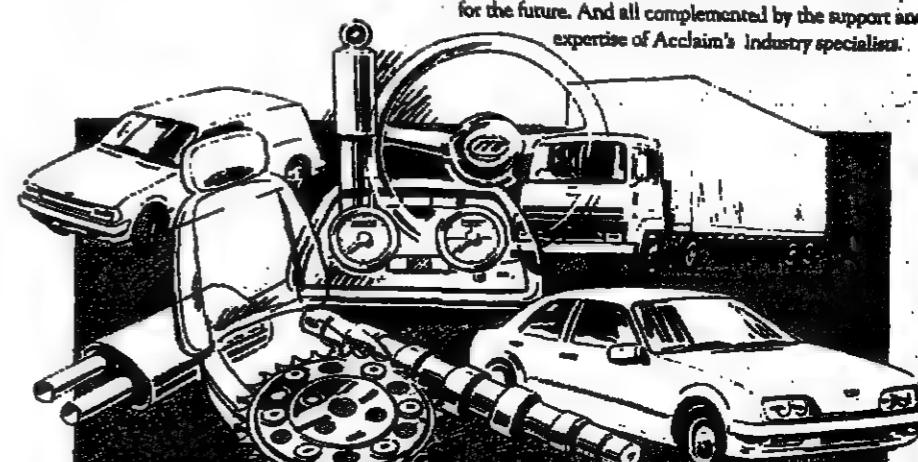
\*Development Strategy for the West Midlands: Partners in Europe.

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## LONDON STOCK EXCHANGE

## Economic data boost equity market

By Steve Thompson

A NUMBER of programme trades, said to have been weighted to the buy side, plus some highly encouraging economic data and another positive opening performance by Wall Street, helped London's equity market regain its composure yesterday.

The FT-SE 100 Index ended a net 62 up at 2,837.1, while the FT-SE Mid 250 Index did little more than mark time, closing only 1.4 up at 3,230.0.

But the view around some of the City's dealing desks was that yesterday's performance may well have been no more than a technical bounce, after the near 70-point fall since the start of the month, and that the market's rally might well be followed by a more severe sell-off.

Wall Street's steady showing on Monday saw London off to a bright start with the FT-SE 100 opening almost two points higher, and after a brief flurry of selling pressure which took the Footsie down to a net decline of 3.4 at one point, it traded in positive territory for the rest of the day.

Sentiment was given a strong booster in mid-morning by news that industrial production during May had risen by 2 per cent, month on month, compared with market expectations of an increase in the region of 0.5 per cent, and

3.9 per cent on the year.

"The 2 per cent rise is a big number and shows that the recovery is in place," said Mr Robin Aspinall at Panmure Gordon, the stockbroker. He added that the market was now getting keyed up for today's inflation figures for June and tomorrow's unemployment numbers.

After a brief period of reflection on the output numbers,

the market gradually moved up a gear, with dealers reporting an increased willingness by the big institutions to get involved in the market. "After the news, it felt much better and the institutions were happy to sort out some of their positions," noted one market-maker.

Another view in the market

was that the output figures, which were seen as confirming

the economic recovery, could well have reduced the chances of a cut in UK interest rates in the short term, a view reinforced by sterling's show of strength late in the session.

Turnover, which struggled at minimal levels during the early part of the day, picked up as the session drew to a close, finishing at 532.4m shares.

This was well up from Monday's 448.1m shares which, as

brokers gloomily reported, provided customer business worth only £796.2m.

The value of daily retail business, commonly above the £21m mark since the second half of last year, has contracted sharply in the last two weeks.

The value of customer business dropped below £1bn in two days last week and threatens to do so this week.

Next Monday will see a dramatic transformation in customer turnover, however, with trading in BT3 certain to give activity levels a strong boost.

BT shares were among the market's more active stocks yesterday and continued to underperform the market as bearish circulars from two broking houses, Kleinwort Benson and Carr Kicat & Alken, continued to unsettle nerves.

There was no nervousness surrounding shares in SG Warburg, which raced higher on the prospect of hefty fees and commission income generated by the merchant bank's handling of the BT3 flotation.

## Account Dealing Dates

First Dealing: July 5. - July 10. Aug 2  
Options Declarations: July 15. - July 29. Aug 12  
Last Dealings: July 16. - July 30. Aug 13  
Account Day: Aug 9. - Aug 23

\* Some time dealings may take place from 8.30am two business days earlier.

Based on the trading volume for a selection of Alpha securities dealt through the SEAO system yesterday up to 4.30pm. Trades of one million or more are rounded down. † indicates an FT-SE 100 index constituent.

## TRADING VOLUME IN MAJOR STOCKS

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## Guide to pricing of Authorised Unit Trusts

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#### DISASTRIC PRACTICE: The Water Witches

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**OFFER PRICE:** The called issue price. The price at which the shares are offered to the public.

**RESTRICTED PROVISIONS:** The holder H denotes that the managers will correctly deal on the price set on the most recent valuation. The price shown are the most representative to the public because of an incorrect, changing levels of the price of a firm.

**OFFER PRICE:** Also called *list price*. The price at which units are bought by *buyers*.  
**BID PRICE:** Also called *reservation price*. The price at which units are sold back by *investors*.  
**CANCELLATION PRICE:** The minimum *reservation price*. The minimum spread between

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**TIME:** The line shown elongates the time charge from feed manager.

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Central Policy,  
108 Marylebone Road, London WC1A 1HN  
Tel 071-279-6444.

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(\*) Funds not SII recognised. The regulatory authorities in these countries are: Guernsey, Financial Services Commission; Isle of Man, Central Bank of Ireland; Isle of Jersey, Financial Services Commission; Jersey, Financial Services Commission.

## FOREIGN EXCHANGES

## Lull in Franc drama

ALL EYES were on the French franc when the European markets opened yesterday, but those expecting high drama were disappointed, writes *Stephanie Flanders*.

The French currency was still weak in early European trading, but was able to fluctuate between DM3.410 and DM 3.415 level for the most of the day without any concerted effort by speculators to take it lower. The franc closed at DM3.414, slightly up on yesterday's close of DM3.416.

The only visible move by either the French or the German authorities was the Bundesbank's announcement of a variable rate repricing for today's German market trading. This had been widely expected, leaving the markets to wait to see whether the German central bank will ease policy in the coming days.

Most traders thought that there would have been little point in further interventions today by the Bank of France or the Bundesbank. This was because pressure on the franc was not at a critical point where strategic defensive purchases by the authorities could turn a currency's prospects around. If anything, speculators were suspending judgment

on the franc until later in the week.

"What we are seeing is the same old war of attrition between the markets and the authorities," said Ms Alison Cottrell at Midland Global Markets. Many traders expect the Bundesbank to reduce the repo rate tomorrow by 4 to 5 basis points, but Ms Cottrell said she did not think that many traders are lining up to make dramatic assaults on the franc before the Bundesbank council meeting tomorrow. "There's too much chance of getting one's fingers burnt," she said.

Sterling received an unexpected boost yesterday from favourable domestic output figures released during the morning immediately following the announcement, the British currency gained more than a pence against the D-Mark, closing even higher at DM3.570, against yesterday's close of DM3.555. It was also strong against the dollar, jumping

more than 1% cents before closing at \$1.493, up from the previous day's \$1.475.

Meanwhile the dollar had lost ground during the day, thanks to some relaxing of tensions within the ERM and official data showing a surprise 0.3 per cent fall in US wholesale prices for June.

"The US data showed that concerns about an imminent tightening by the Federal Reserve were misplaced," said Mr Julian Callow of Kleinwort Benson in London. "This has taken some of the gloss off the dollar, but the knowledge that European rates are set to fall makes a bigger fall against the D-Mark unlikely."

The Danish crown suffered alongside the French currency. Dealers in Denmark said they did not expect central bank intervention unless the crown fell to its floor.

## FINANCIAL FUTURES AND OPTIONS

EURO LONG GILT FUTURES OPTIONS

EURO 1000000000s of 100%  
Settle Date: 2nd week of month  
Price: 1000000000s of 100%  
Sep 1000000000s of 100%  
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May 10



## **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

4 pm close July 13

			1Q	2Q	3Q	4Q							
	High	Low	Stock	Div	%	E	1Q	2Q	3Q	4Q	Low	Stock	Div
201	162	152	CUC Int'l	0.40	43	2070	27	26	25	25	25	25	25
197	145	126	Culver	0.40	5,022,000	7	27	26	25	25	25	25	25
247	53	53	Cunes Engt	3.50	60	150	50	50	50	50	50	50	50
206	74	63	Cunes Engt	0.40	0.2	15	711	325	325	325	325	325	325
134	122	107	Corcent Int'l	0.90	7.0	15	31	32	32	32	32	32	32
404	378	295	Corolla Mfg	1.00	2.7	10	9	9	9	9	9	9	9
111	75	70	Corolla Mfg	1.00	10.1	6	23	23	23	23	23	23	23
117	63	58	Cycare Sys	0.30	23	87	62	62	62	62	62	62	62
145	85	75	Cyprus Min	0.40	23	1776	55	55	55	55	55	55	55
305	224	180	Cyprus Min	0.40	3.2	4	1385	24	24	24	24	24	24
							- D -						
214	181	121	DPL Holdings	1.12	5.4	15	916	204	204	204	204	204	204
15	12	12	Dulles Sun	1.00	2.0	25	70	154	154	154	154	154	154
547	44	44	Dura Corp	1.00	0.4	23	404	304	304	304	304	304	304
234	241	241	Duscher Co	0.18	1.3	45	52	131	131	131	131	131	131
144	103	91	Durant Ind	0.10	3	47	25	25	25	25	25	25	25
25	75	75	Dusek Diving	0.10	17	1054	97	97	97	97	97	97	97
125	82	82	Dusek Sun	0.10	5	105	97	97	97	97	97	97	97
54	54	54	Dupont	0.20	2,818.00	1	1	1	1	1	1	1	1
85	625	540	Duxbury Ind	1.00	24	13	207	804	804	804	804	804	804
103	29	29	Dylex Corp	7.70	7.7	250	100	100	100	100	100	100	100
101	74	74	Dyke Sales	0.14	1.6	14	26	94	94	94	94	94	94
204	216	216	Dynacore Foods	0.60	2.2	16	800	274	274	274	274	274	274
204	304	304	Dynacore Foods	0.40	1.1	12,251	361	361	361	361	361	361	361
54	64	64	Dynacore Foods x	0.72	7.9	7.9	220	194	194	194	194	194	194
675	425	425	Dynacore	2.00	3,125	3678	65	65	65	65	65	65	65
25	50	50	Dynacore Int'l	1.00	1	117	14	14	14	14	14	14	14
243	212	212	Dynacore Int'l	1.54	6.6	14	3408	234	234	234	234	234	234
812	455	455	Dyna Int'l	0.20	0.4	3,300	472	472	472	472	472	472	472
184	111	111	Dyna World	0.40	3.4	8	234	115	115	115	115	115	115
32	17	17	Dynetics	0.20	2	21	25	25	25	25	25	25	25
474	374	374	Dynetics CP	1.40	3.7	15	385	355	355	355	355	355	355
275	253	253	Dynetics CP	1.40	3.7	15	385	355	355	355	355	355	355
1015	93	93	Dynetics CP	7.45	7.3	250	100	100	100	100	100	100	100
1025	95	95	Dynetics CP	7.00	7.5	250	100	100	100	100	100	100	100
108	1014	1014	Dynetics CP	0.22	9.1	5	5,020	102	102	102	102	102	102
105	105	105	Dynetics CP	0.22	9.7	9.3	2	103	103	103	103	103	103
371	32	32	Dynetics	2.00	5.8	8	1915	351	351	351	351	351	351
202	203	203	Dynetics Corp	0.90	3.9	14	324	274	274	274	274	274	274
354	192	192	Dynex Products	1.00	19	17	29	214	214	214	214	214	214
447	365	365	Dynex Prod	1.12	2.5	45	250	405	405	405	405	405	405
325	93	93	Dynex Prod	0.60	80	85	275	114	114	114	114	114	114
223	17	17	Diamond Sh	0.50	25	13	55	195	195	195	195	195	195
124	45	45	Diamond Corp	0.10	5	8	107	65	65	65	65	65	65
554	33	33	Diamond	1.00	2.3	24	351	351	351	351	351	351	351
192	125	125	Digital Cm	0.10	2	24	351	351	351	351	351	351	351
484	324	324	Digital Eq	0.10	2	24	420	405	405	405	405	405	405
504	342	342	Digital Eq	0.10	0.2	17	3440	351	351	351	351	351	351
84	412	412	Dimes St NY	0.10	2	24	450	70	70	70	70	70	70
473	374	374	Dimes Corp	0.25	0.7	22	2353	23	23	23	23	23	23
17	11	11	Diversified	0.00	0	57	25	25	25	25	25	25	25
375	204	204	Dixie Food	0.40	1.1	23	357	355	355	355	355	355	355
457	383	383	Dixie Food	2.00	5.8	15	704	455	455	455	455	455	455
525	214	214	Dixie Food	0.25	4.9	5	27	25	25	25	25	25	25
405	214	214	Dixie Foods	0.44	1.2	19	167	374	374	374	374	374	374
234	25	25	Dixie Foods	0.52	1.9	24	203	291	291	291	291	291	291
50	45	45	Dixie Corp	0.00	1.9	16	224	462	462	462	462	462	462
593	29	29	Dixie Corp	2.00	4.5	32	351	575	575	575	575	575	575
204	264	264	Dixie Corp	0.80	2.8	23	220	265	265	265	265	265	265
193	144	144	Dixie Corp	0.35	20	7	16	174	174	174	174	174	174
101	98	98	DIXIE L7.75	0.70	7.8	7.8	7.0	10	10	10	10	10	10
303	313	313	DIXIE	1.00	4.5	13	385	355	355	355	355	355	355
115	84	84	Dixie Corp	0.80	1.5	24	303	111	111	111	111	111	111
24	174	174	Dresser	0.60	2.4	46	7247	254	254	254	254	254	254
445	253	253	Dreyfus Corp	0.70	1.8	19	414	405	405	405	405	405	405
11	53	53	Dru Fd S	0.71	6.8	6	616	105	105	105	105	105	105
114	111	111	Dru St S	0.93	8.5	8	348	105	105	105	105	105	105
70	63	63	Dru St S	0.73	8.0	3	744	744	744	744	744	744	744
415	365	365	DudePower	1.80	4.4	17	1322	944	944	944	944	944	944
1072	1072	1072	DuleP 7.8	7.80	7.4	250	105	105	105	105	105	105	105
1072	1062	1062	DuleP 7.8	6.28	8.1	2100	103	103	103	103	103	103	103
574	54	54	DuleP 7.8	0.40	4.827	27	42	42	42	42	42	42	42
514	554	554	DuleP 7.8	2.44	4.1	13	1236	59	59	59	59	59	59
513	444	444	DuleP 7.8	1.76	3.6	23	3571	59	59	59	59	59	59
202	252	252	DuleP 7.8	2.05	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.10	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.15	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.20	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.25	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.30	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.35	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.40	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.45	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.50	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.55	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.60	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.65	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.70	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.75	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.80	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.85	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.90	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	2.95	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.00	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.05	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.10	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.15	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.20	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.25	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.30	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.35	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.40	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.45	7.5	250	274	274	274	274	274	274	274
202	252	252	DuleP 7.8	3.50	7.5	250	274	274					

1983		Low Stock	
Rep	Rep	Rep	Rep
51	49	High 43.6	High 43.6
24	23	High 15	High 15
25	24	High 14	High 14
26	25	High 13	High 13
27	26	High 12	High 12
28	27	High 11	High 11
29	28	High 10	High 10
30	29	High 9	High 9
31	30	High 8	High 8
32	31	High 7	High 7
33	32	High 6	High 6
34	33	High 5	High 5
35	34	High 4	High 4
36	35	High 3	High 3
37	36	High 2	High 2
38	37	High 1	High 1
39	38	Low 1	Low 1
40	39	Low 2	Low 2
41	40	Low 3	Low 3
42	41	Low 4	Low 4
43	42	Low 5	Low 5
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45	44	Low 7	Low 7
46	45	Low 8	Low 8
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48	47	Low 10	Low 10
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75	74	Low 37	Low 37
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79	78	Low 41	Low 41
80	79	Low 42	Low 42
81	80	Low 43	Low 43
82	81	Low 44	Low 44
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85	84	Low 47	Low 47
86	85	Low 48	Low 48
87	86	Low 49	Low 49
88	87	Low 50	Low 50
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90	89	Low 52	Low 52
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130	129	Low 92	Low 92
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135	134	Low 97	Low 97
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327	326	Low 289	Low 289
328	327	Low 290	Low 290
329	328	Low 291	Low 291
330	329	Low 292	Low 292
331	330	Low 293	Low 293
332	331	Low 294	Low 294
333	332	Low 295	Low 295
334	333	Low 296	Low

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## AMERICA

## Inflation news fails to lift equity sentiment

## Wall Street

GOOD news on inflation failed to lift stock market sentiment yesterday, and by early afternoon prices were flat to lower in thin summer trading, writes Patrick Harrison in New York.

At 1pm, the Dow Jones Industrial Average was 8.38 lower at 3,516.00. The more broadly based Standard & Poor's 500 was down 0.65 at 443.33, while the Amex composite was up 1.68 at 439.78, and the Nasdaq composite down 0.16 at 707.51. Trading volume on the NYSE was 141m shares by 1pm.

Although the morning's news on inflation - the June producer prices index fell by 0.3 per cent - was bullish for equities, investors appeared uninterested in the data. Dealers attributed the lack of a more positive reaction to two factors: first, that the markets had expected a good PPI number, so it was already priced into stocks; and, secondly, that investors and dealers may have been slightly disappointed at the 0.1 per cent decline reported in the "core" PPI, which excludes the volatile

food and energy components of the headline PPI. Analysts had been looking for a bigger decline in the core measure.

Equity markets may also have been disappointed by the lack of a move upward in bond prices. By early afternoon the Treasury market had shrugged off the PPI data and the benchmark 30-year bond was down slightly, yielding 6.625 per cent.

The first batch of second quarter corporate earnings began to arrive in earnest yesterday. Brokerage stocks were among the busiest sectors.

Merrill Lynch reported record quarterly profits of \$345m, which lifted the shares temporarily to a new all-time high of \$86.45. At that point, however, profit-takers moved in, and the selling pushed Merrill's stock to an early afternoon low of \$84.45, down 1.1% on the day.

PaineWebber, another big Wall Street securities house, also ran into some profit-taking, the stock easing 3% to \$29 in spite of another strong quarter, with profits climbing 30 per cent to \$55.3m. Finally, Bear Stearns firmed 3% to \$23.40 on the news that its president, Mr James Cayne, has been appointed to the additional

post of chief executive.

Home Shopping Network was the market's most heavily traded stock for the second day running, rising 4% to 41% in volume of 2m shares as investors continued to react favourably to news of a merger offer from the rival QVC Network.

Motorola climbed 3% to \$89.25 following the company's announcement, late on Monday, of a 57 per cent rise in second quarter profits to \$224m.

Hilton Hotels fell 1% to \$45 after reporting a 17 per cent decline in second quarter profits to \$26.8m and warning that the remainder of the year would be "challenging" for the company.

## Canada

TORONTO was lower at mid-session as the market searched for direction. The TSX composite index was 3.78 down at 3,946.72 in volume of 35.3m shares valued at C\$415.9m.

Advances exceeded declines by 239 to 233, with 277 issues unchanged.

Among the actives Laidlaw B was down C\$1 at C\$34.

## Indian foreign initiative reaps limited rewards

RC Murthy on a disappointing inflow of orders

India's securities scandal is only one reason why, nine months since the market was opened to foreign portfolio investment, there has been a flood of enquiries but no big inflow of orders.

So far, less than \$20m has come in, disappointing the Securities and Exchange Board of India, the market watchdog which also keeps track of capital flows.

For decades, foreigners were kept out of India, by official fiat; and last September, when foreign investors were given permission to hold up to 5 per cent of quoted Indian companies, they were discouraged by archaic trading practices, and share prices which moved more on rumours than on facts and fundamentals.

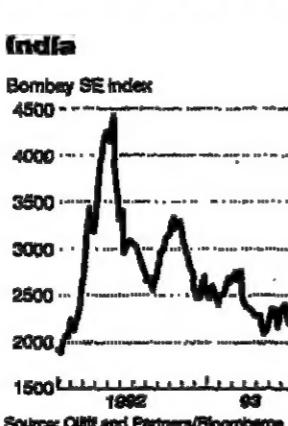
No official target was set for foreign involvement. The authorities in New Delhi were hoping for \$2bn in foreign direct capital inflow, including \$1bn of portfolio investment, this year; but even this objective is proving as tough as Mount Everest to scale.

Mr Stephen Barnes, at the Bombay office of BZW, says: "One should talk of hundreds of millions, not billions," for the next couple of years.

It will be a long haul at this rate for overseas investors to reach their 5 per cent quota, which works out to \$855m (\$1.84bn), taking the market capitalisation of the top half of the 650 companies listed on the Bombay Stock Exchange.

Foreign fund managers have had a lot of bad news to contend with. Early last December they were pondering the outbreak of communal riots, triggered by the destruction of the Babri mosque at Ayodhya.

Subsequent events have included pre-budget blues in February; a series of bomb blasts on March 12, which



Sources: OMM and Partners/Bloomberg

down by 55 per cent from the peak of 4,500 a year ago.

A ban on short sales by BSE authorities last month took the bear's teeth away, but share prices have since moved in a narrow range, the index closing yesterday at 2,187.81 after a downward flutter on Monday.

Foreign investors now have a feel for the environment. They are able to identify quite a few companies with price/earnings multiples of less than 25, and that makes an attractive change.

The market was governed until recently by Mr Mehta's theory that p/e ratios were less important in valuing companies than the cost of replacing existing assets. On this basis, ACC, India's biggest cement

producer, was bought up to \$10.00 in April 1992. It is now down to a reasonable \$1.60 and a p/e of just under 19.

Fundamentals have improved. Inflation is running at a six-year low of 5.3 per cent per annum, and interest rates at commercial banks are down by 2 percentage points over the past four months and are poised to fall further.

Monsoon rains this season so far have been timely, and evenly spread throughout the country. If the weathermen's predictions come true, agricultural production will see strong growth, laying the foundation for a sharp rise in gross national product this year.

The stock market has now focused on around half a dozen companies with strong fundamentals, such as ICICI, the finance house, Great Eastern Shipping, SCIC (basically shipping finance) and the Housing Development Finance Corporation, all of which are in the p/e range of 9 to 17.

Foreigners have devised a dual strategy, testing the market with small orders and then striking bilateral deals with local institutional investors. "It is possible to get discounts on large orders," says Mr Barnes, justifying the bilateral approach.

On the sell side, the Unit Trust of India is interested in selling part of its portfolio because it needs to generate \$50m in cash to service dividends in July.

Mr P Sankaran, of Ind Global Financial Services, expects the tempo of foreign portfolio investment to accelerate over the next two months, if there is no major setback to the equity market over the same period. "The immediate problem," emphasises Mr Sankaran, "is political stability."

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONDAY JULY 12 1993											FRIDAY JULY 15 1993											DOLLAR INDEX			
NATIONAL AND REGIONAL MARKETS	US	Dollar Index	Day's Change	Pound	Sterling Index	Yen	DM	Index	Local	Day's	US	Pound	Day's	Yen	DM	Local	Day's	US	Pound	Day's	Yen	DM	Local	Day's	Yen
Australia (58)	139.53	+0.7	139.98	96.56	125.38	136.09	+1.0	3.68	138.60	138.70	98.05	124.01	+1.0	134.88	144.18	117.38	144.93	132.15	122.97	123.27	123.10	122.97	123.27	123.10	122.97
Austria (16)	148.33	+0.8	148.37	103.18	133.81	133.87	+1.2	1.46	147.91	148.02	102.52	122.34	+1.2	132.29	150.95	131.16	155.55	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Belgium (42)	147.04	+0.6	148.35	102.45	123.90	130.02	+1.1	1.40	146.98	147.07	101.86	131.46	+1.1	128.86	158.78	131.19	148.33	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Canada (108)	128.04	+0.8	128.44	88.70	118.49	118.49	+0.8	2.84	127.04	127.13	85.05	113.65	+0.8	117.58	130.38	111.41	128.71	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Denmark (23)	147.04	+0.9	148.35	102.45	123.90	130.02	+1.1	1.40	146.98	147.07	101.86	131.46	+1.1	128.86	158.78	131.19	148.33	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Finland (23)	98.08	-0.9	98.38	97.95	105.14	105.14	-0.2	2.84	98.99	99.05	88.57	105.15	-0.2	98.57	105.15	101.86	128.71	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
France (86)	150.72	-0.7	151.19	104.41	135.43	135.81	+0.3	3.29	151.71	151.82	105.15	135.78	+0.3	128.22	147.32	142.72	165.04	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Germany (60)	114.32	+0.5	114.72	79.24	102.77	102.77	+0.5	0.9	107.07	107.15	101.86	101.86	+0.5	107.07	117.10	101.86	128.71	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Hong Kong (55)	279.93	-1.8	280.80	193.92	251.57	278.99	-1.5	3.38	284.61	284.82	197.26	254.65	-1.5	233.00	301.61	218.82	258.26	227.15	228.05	228.55	231.19	148.33	148.37	148.33	148.37
Ireland (15)	155.95	-0.5	158.43	103.04	140.14	157.52	+0.3	3.43	155.80	156.92	105.88	140.30	+0.3	157.03	170.40	128.28	160.95	152.15	153.05	153.55	154.05	154.55	155.05	155.55	156.05
Italy (7)	150.43	-0.5	151.43	103.04	140.14	157.52	+0.3	3.43	155.80	156.92	105.88	140.30	+0.3	157.03	170.40	128.28	160.95	152.15	153.05	153.55	154.05	154.55	155.05	155.55	156.05
Japan (470)	146.39	+0.5	146.85	101.42	131.57	131.57	+0.4	2.08	145.73	145.83	101.00	133.40	+0.4	101.00	128.28	132.82	153.85	127.15	128.05	128.55	131.19	148.33	148.37	148.33	148.37
Malaysia (59)	327.15	-1.4	328.17	228.64	293.98	324.70	-1.2	2.08	321.51	321.67	229.85	324.70	-1.2	324.70	328.79	324.34	321.85	320.33	321.85	322.33	323.83	325.33	326.83	328.33	329.83
Mexico (15)	153.40	+0.9	153.16	108.03																					